Austria ... Sch. 20	Indonesia ... Rp 3100	Philippines .. Pes. 20
Bahrain .. Din 0.650	Israel .... IS 3.50	Portugal .. Esc 100
Belgium BFr.45	Italy ..... L 1600	S. Arabia .. Rls 6.00
Canada .... C$1.00	Japan Y600	Singapore . S$ 4.10
Cyprus .... C£0.75	Jordan .... Fils 500	Spain .... Pta 125
Denmark .. DKr 9.00	Kuwait .... Fils 500	Sri Lanka ... Rup 30
Egypt .... E£1.60	Lebanon . £L 25.00	Sweden .. SKr 8.00
Finland .. Fmk 7.00	Luxembourg . LFr.45	Switzerland SFr 2.20
France .. FFr. 8.50	Malaysia .. Rin 4.25	Taiwan ... NT $65
Germany . DM 2.20	Mexico .. Pes. 300	Tunisia .. Din 1.375
Greece ..... Dr 80	Morocco .. Dh 6.00	Turkey 1,350
Hong Kong . HK$ 12	Netherlands . Fl 3.00	U.A.E. ... Dh 6.50
India .... Rup. 15	Norway .. Nkr. 7.00	U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,141 Friday January 23 1987 D 8523 B

Kohl's victory crown may soon be tarnished, Page 16

World news

Peking purges propaganda chief

Peking propaganda chief Zhu Houze has been suspended for mishandling the recent student protests. The purge of academics continued with the sacking of the president and vice-president of the Chinese Academy of Sciences.

The New China News Agency reported that president Lu Jiaxi and vice-president Yan Dongsheng had been "removed", giving no reason, but diplomats linked their dismissal to the resignation in disgrace last week of party leader Hu Yaobang. Page 5

Waite in talks

Terry Waite, the Archbishop of Canterbury's envoy, was said by Druze militia in Lebanon to be continuing his talks with Shia Moslems holding a number of hostages.

Hindu leader shot

Sikh extremists shot dead a militant Hindu leader, Om Prakesh Chawla, and wounded a Sikh member of Punjab's ruling Akali Dal party. Both attacks were in or near the industrial city of Jalandhar.

US-Iran talks

The State Department confirmed that meetings took place between US and Iranian officials even after President Reagan had ordered a halt to covert arms sales to the country.

Tough line on Kabul

Pakistan has been asked by Washington not to be drawn into any offers about closing Afghan rebel camps or supply routes when it attends high-level talks in Moscow later this month. Page 5

Rome gun battle

Two suspected members of the Red Brigades terrorist group were arrested after a gun battle in a Rome street with paramilitary police. Two passers-by were injured in the shooting.

Secret Sukarno fund

Indonesia said it is trying to trace a secret 27-year-old fund that may contain billions of dollars, some of it in gold, left over from former President Sukarno's administration. All track of it was lost in the turmoil after an attempted coup in 1965.

Treasurer's suicide

Pennsylvania State Treasurer R. Budd Dwyer shot and killed himself during a press conference in Harrisburg after making a rambling statement denouncing his conviction in a bribery case. He was due for sentencing today.

Gadaffi stays away

Libyan leader Muammer Gadaffi said he would not attend the Islamic summit opening in Kuwait on Monday because of the presence of Egypt. He said Cairo's readmission to the Islamic Conference Organisation was illegitimate.

Pakistani protest

About 1,000 Pakistani women demonstrators disrupted the Sind provincial assembly and assaulted police during a protest about law and order in Karachi.

Hanoi general killed

General Dinh Duc Thien, 74, Vietnam's deputy defence minister who was regarded as a communist hero, has been killed in a car crash. His body will lie in state in Hanoi.

Wine sales halted

Sweden's liquor monopoly stopped sales of its best-selling Italian wine after the mysterious deaths of two youths suspected of having been poisoned by anti-freeze.

Bubbling over

Champagne sales totalled over 2m bottles last year for the first time. Britain remained the top consumer with the US in second place.

Business summary

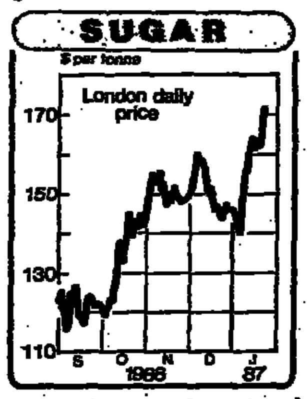
Wall St soars 51.6% to record

WALL STREET: The Dow Jones industrial average closed up 51.6 at 2,145.67. Page 42

LONDON: International buying, boosted by the West German discount rate cut, propelled the market ahead but some profit-taking pared gains late in the session. The FT-SE 100 index closed 15.9 higher at 1,777.5 and the FT Ordinary index 17.4 up at 1,404.1. Gilts were slightly easier. Page 42

TOKYO: The upturn of the yen depressed blue chips and drove stocks down for the first time in six days. The Nikkei average slipped 48.67 to 19,380.51. Page 42

BANKAMERICA CORP, struggling West Coast banking group fighting a takeover bid from California rival, First Interstate Bancoporation, reported fourth-quarter earnings of $82m, to post its best performance in almost two years. Earnings for the quarter – equivalent to 44 cents a share – reduced the group's annual loss to $518m, or $3.74 a share. Page 19



SUGAR prices moved up strongly on reaction to a report by broker C. Czarnikow forecasting stronger prices this year. The London daily raw price was fixed at £172 a tonne, up £10. Page 34

DOLLAR closed in New York at DM 1.8150; SFr 1.522; FFr 6.0640 and Y151.90. It fell in London to DM 1.8135 (DM 1.8470); SFr 1.5225 (SFr 1.5505); FFr 6.0530 (FFr 6.1625), and Y151.85 (Y153.90). On Bank of England figures the dollar's exchange rate index fell from 105.0 to 104.0. Page 35

STERLING closed in New York at $1.5295. It rose in London to $1.5325 ($1.5170). It fell to DM 2.7825 (DM 2.8025); SFr 2.3350 (SFr 2.3525); FFr 9.2800 (FFr 9.3475), and Y232.75 (Y233.50). The pound's exchange rate index fell 0.2 to 69.1. Page 35

GOLD rose $2.75 to $409.75 on the London bullion market. It also rose in Zurich to $409.75 ($407.00). In New York the February Comex settlement was $408.90. Page 34

GOTABANKEN, main creditor of Refaat El-Sayed, former chief executive and majority shareholder in Fermenta, deeply troubled pharmaceuticals group, has taken the first step in the Swedish courts to force repayment of debts totaling SKr 570m ($87.6m). Page 19

AMERICAN EXPRESS, US financial services and travel group, reported a 37 per cent rise in net operating income for last year to $1.11bn, with record earnings in all four of its operating divisions. Page 19

GULF CANADA, subsidiary of Toronto-based property and resources group Olympia and York, is to resume its development of an unusually large oilfield off Canada's northern Arctic coast. Page 19

STANDARD OIL, US affiliate of British Petroleum, has reported earnings of $12m, or 13 cents a share, in its fourth quarter. Page 19

UNITED Technologies, US industrial conglomerate, has reported fourth-quarter net losses of £228m after a $346.7m charge to after-tax earnings to account for restructuring costs and a sharp reduction in salaried staff. Page 19

MORGAN STANLEY, leading Wall Street securities firm which went public last spring, has reported nearly doubled profits in 1986, reflecting strong performances by both investment banking and trading activities. Page 19

Bundesbank cuts key interest rates by half a point

BY ANDREW FISHER IN FRANKFURT AND STEWART FLEMING IN WASHINGTON

WEST GERMANY's Bundesbank cut its key interest rates by half a percentage point yesterday, but warned that the effect of this action would be lessened if countries with weak currencies, such as the US and France, also cut rates.

In the wake of the action by the West German central bank, the Austrian and Swiss central banks announced similar discount rate reductions. The Bank of Japan is widely expected to follow suit with a 0.5 per cent cut in its discount rate to 2.5 per cent – probably effective next week.

The Dutch central bank, unusually, failed yesterday to follow the Bundesbank rate cut, surprising financial markets.

The West German central bank also moved to soak up about DM 12bn of the estimated DM 17bn ($9.3bn) which poured into West Germany ahead of the recent parity realignment in the European Monetary System (EMS).

The moves failed to halt a further fall by the dollar on the foreign exchange market, where the cut in the West German discount rate from 3.5 to 3 per cent and in the lombard rate from 5.5 to 5 per cent had been widely expected.

The US currency closed at DM 1.8135 in London, about 3.3 pfg down on the day. Dealers in Frankfurt said a lack of action by the Bundesbank would have led to sharper fall in the dollar. Without US moves to help the dollar, it could slide even further, they said.

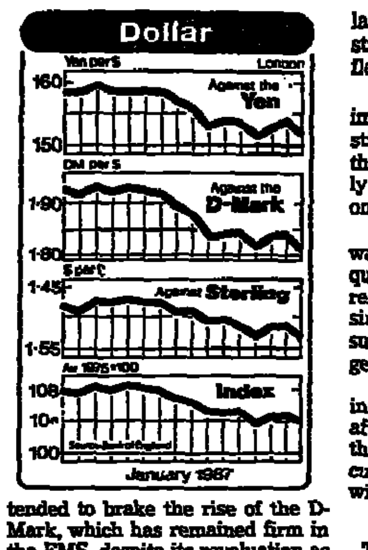
London dealers said the markets were disappointed that Wednesday's meeting in Washington between Mr James Baker, US Treasury Secretary, and Mr Kiichi Miyazawa, Japan's Finance Minister, failed to produce more than reaffirmation of the need for international consultation on economic policies.

In Frankfurt yesterday Mr Karl Otto Pöhl, president of the Bundesbank, meanwhile criticised some recent statements in the US aimed at driving down the dollar. He described them as "dangerous, playing with fire."

Mr Pöhl stressed the importance of the Bundesbank's liquidity-absorbing measures – a 10 per cent rise in banks' minimum reserve requirements and a DM 8bn cut in rediscount facilities – and said the interest cuts were to avoid the impression in currency markets that the Bundesbank was becoming more restrictive.

"We have made money cheaper and at the same time scarcer," he added. By mopping up the extra liquidity, the central bank would not be able again to use its normal open-market policies to help control monetary growth, with money market rates now set to fall to about 3.8 per cent.

The lower interest rates are intended to brake the rise of the D-Mark, which has remained firm in the EMS, despite its revaluation as part of the realignment. The dollar's fall has led to continued strains in the EMS, as funds have flowed into D-Marks.



Mr Pöhl played down the likely impact of the interest rate cuts in stimulating the German economy, though foreign pressure – especially from the US – has concentrated on this aspect of such a move.

He said the German economy was already well supplied with liquidity. The Bundesbank has been resisting the pressure for rate cuts since August, arguing that money supply was growing well over target.

Mr Pöhl last month ruled out an interest rate cut before or shortly after Gemany's general election this Sunday. Yesterday, he said circumstances had since changed, with the dollar falling and the EMS

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The falling dollar, Page 6; Money markets, Page 35

Bank of England prompts another banker to resign

BY DAVID LASCELLES, BANKING CORRESPONDENT, AND CLIVE WOLMAN IN LONDON

THE BANK of England yesterday stepped up its damage limitation efforts caused by the Guinness scandal by prompting the resignation of another senior UK merchant banker.

Lord Patrick Spens, head of corporate finance at the Henry Ansbacher merchant bank, resigned yesterday as the Guinness affair added to its toll in the City of London.

Lord Spens was responsible for arranging purchases of Guinness shares worth £7.6m for Ansbacher clients under an agreement whereby Guinness compensated the holders against loss – in possible breach of the Companies Act.

Lord Spens' departure follows the resignation on Tuesday of Mr Christopher Reeves, chief executive of Morgan Grenfell merchant bank, and Mr Graham Walsh, the bank's head of corporate finance.

The Morgan Grenfell resignations coincided with a statement in the British parliament by Mr Nigel Lawson, Chancellor of the Exchequer, to the effect that he and Mr Robin Leigh-Pemberton Governor of the Bank of England, were taking direct responsibility for trying to repair the City's battered image.

Lord Spens' actions first came to light in November, and Ansbacher's board decided to await the report by the Department of Trade and Industry's inspectors on the Guinness affair before taking any action. However, earlier this week, the Bank of England urged Ansbacher to seek Lord Spen's resignation because of the damaging publicity being generated by the Guinness affair.

Guinness' decision not to pursue its threat of legal action to recover the £7.6m it tranferred to Ansbacher as compensation for the shares – where Lord Spens would have been a key witness – was another factor. Guinness' new management, which took over last week, said that the ownership of the shares bought remains unclear. They remain in an Ansbacher nominee account.

Ansbacher said yesterday that it had accepted Lord Spens' resignation "with regret." Lord Spens, who previously worked for Morgan Grenfell, the merchant bank, said he intends to set up his own corporate advisory company. His resignation brings to eight the number of victims of the Guinness affair.

The Bank of England has been under strong pressure from the Treasury to limit the damage caused by the scandal and to identify those responsible. Mr Robin Leigh-Pemberton, the Governor, and Mr George Blunden, his deputy, and senior banking supervision officials have all met representatives of City institutions in the last few days.

S. & W. Berisford, the commodity trading and sugar manufacturing company, last night admitted that one of its subsidiaries had received £1.495m from Guinness as a payment for buying Guinness shares during its takeover battle for Distillers last year.

The company, whose chairman is Mr Ephraim Margulies and which faces the prospect of a renewed hostile takeover bid within the next few weeks, has offered to repay the money to Guinness. The company has sent a letter to Guinness which was published last night.

The company is the second to make such an admission in the last two days, following a statement by Guinness last Friday that its auditors were investigating the payment of £25m of fees which may have been for illicit purposes connected with share-buying activity during the takeover battle.

The first such admission was from Mr Gerald Ronson's Heron Corporation on Wednesday. Further revelations yesterday have cast doubt on the accuracy of some of the contents of Mr Ronson's letter. The Heron Corporation is the UK's second largest private company.

Mr Ronson admitted that he was paid £5.8m by Guinness to purchase up to £25m of Guinness shares with

Continued on Page 18

The man behind Heron, Page 9

Lloyd's given a year to make up to 70 reforms

BY NICK BUNKER AND PETER RIDDELL IN LONDON

LLOYD'S, the London insurance market, has been given a year to implement most of 70 reform measures recommended yesterday by Sir Patrick Neill's inquiry into its regulatory arrangements.

Mr Paul Channon, the Trade and Industry Secretary, told the House of Commons that the Government would legislate if Lloyd's failed to sort out its affairs within a year.

He said the Government believed the Neill Report provided "a good basis for the further development of measures to protect the interest of Lloyd's members." He expected Lloyd's to take all necessary steps "at the earliest moment" to bring its standard of protection up to a comparable level with that offered by the Financial Services Act to investors.

Mr Channon repeatedly stressed the urgency of responding to the report. He would soon be meeting Lloyd's and wanted to hear proposals "very very shortly" for a specific and agreed timetable on action.

He was echoing a similar warning made earlier by Sir Patrick. The Neill report had ruled out external supervision of Lloyd's by civil servants or the Securities and Investments Board, the financial regulatory body, Sir Patrick said.

It had opted for "a more pragmatic approach" of improving internal supervision, by a big extension in the role outside "nominated members" who sit on Lloyd's market's 28-strong ruling council.

Sir Patrick said the council, set up by the 1982 Lloyd's Act, had shown "reforming zeal. We know of no profession or equivalent organisation which has accomplished such a major programme in such a short-timescale."

But the report concludes that Lloyd's still fails to meet the standards of investor protection laid down under the Financial Services Act. Parliamentary concern over the exclusion of Lloyd's from the Act, in spite of the multi-million pound scandals that hit the market in 1982, led to the appointment of Sir Patrick's team last January.

Sir Patrick told reporters he "would expect most of the recommended reforms to be in place within a year." The 1982 Lloyd's Act gave the market sufficient powers to implement all of them without asking Parliament for new legislation, he said.

Lloyd's moved swiftly to begin implementing some of the Neill report's recommended changes. After what Mr Peter Miller, its chairman, called "a very careful debate" yesterday morning, it accepted the core proposal for a constitutional shake-up aimed at ending the traditional domination of the council affairs by insurance market practitioners.

Mr Miller said Lloyd's would appoint as soon as possible four extra "nominated members" of the council, doubling their numbers." Lloyd's would also follow the report's proposal to reduce from 16 to 12 the number of market practitioners on the council, but this would have to be phased perhaps over two years because of the existing procedures for electing members.

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Details, Page 11, Editorial comment, Page 16

Violence threatens Aquino's peace efforts

By Our Foreign Staff

PRESIDENT Corazon Aquino's efforts at national reconciliation and stability in the Philippines received a serious setback yesterday when troops opened fire on 10,000 demonstrating farmers in Manila, killing 12 and injuring at least, 94.

The incident was the bloodiest so far in Mrs Aquino's increasingly troubled 11 months in office. The shooting, outside the presidential palace, was followed by successive tear-gas attacks to prevent demonstrators from regrouping.

The violence caused Government and Communist negotiators to suspend indefinitely their talks aimed at ending the 18-year insurgency in the islands. However, they agreed the 60-day ceasefire would remain in force until its official expiry date of February 8.

Mrs Aquino was hustled out of the Malacanang Palace shortly before the shooting began. She returned to the heavily guarded palace last night and called an emergency meeting with civilian advisers, the Defence Minister and the armed forces Chief of Staff.

Mr Satur Ocampo, a Communist negotiator, accused the military of organising and provoking violence so that it could be blamed on the Communists.

However, General Ramon Montano, head of the para-military Philippine Constabulary, said his men acted in self defence when demonstrators rushed the line protecting the palace. He could not explain why some of the dead had been shot in the head, indicating the troops may have taken deliberate aim to kill.

Mrs Aquino's campaign for national reconciliation and stability is due to culminate in a referendum on February 2 on her proposals for a new constitution.

Within the last week fears of a new coup plot resulted in tanks and water cannon surrounding the palace, and there have been serious outbreaks of fighting between rival Moslem factions in the southern island of Mindanao.

Coupled with yesterday's violence, these events have brought a new air of violent uncertainty to the Philippines.

The farmers were demanding the implementation of the Government's proposals on land reform to break the stranglehold landlords hold over peasant farmers. The Government is moving no faster than the previous regime under President Ferdinand Marcos, although Mr Jamie Ongpin, the Finance Minister, is asking the Western nations for an extra $300m of aid specifically for land reform during the current Paris Club meeting.

Argyll accompanies legal threat with 'friendly merger' proposal

BY MARTIN DICKSON IN LONDON

MR JAMES GULLIVER, chairman of Britain's Argyll supermarkets group, has suggested a "friendly merger" with Guinness while at the same time threatening the beleagured drinks group with "vigorous" legal action.

But Guinness, which defeated Argyll in last year's £2.5bn takeover battle for Distillers, the UK drinks group, yesterday rejected the overture.

The merger suggestion was made in a note sent last Friday to Sir Norman Macfarlane, the new Guinness chairman. This accompanied a copy of a press release in which Argyll said it intended to "pursue, as soon as practicable, vigorous legal action for substantial damages" in the wake of Guinness's admission of illegal activities during the battle for Distillers.

Mr Gulliver's note – made public by Guinness yesterday – said: "While we have felt it necessary to issue today's release in the interests of Argyll shareholders, I believe you are aware that it is my board's primary interest to effect a friendly merger between Guinness and Argyll." The note went on to suggest a meeting with Sir Norman to discuss the issue.

The move follows press speculation that Guinness might "buy in" Argyll's management through a merger, and in return Argyll might drop its legal action. But the Guinness board, which discussed the note at its meeting on Wednesday, yesterday said it would like "to make absolutely clear that it sees no benefit to Guinness in any such talks with Argyll."

It said it had already stated that the current trading position was good and that trading prospects were encouraging.

"In addition, the board believes that it is making substantial progress in clearing up the many outstanding issues. It would greatly interrupt and forestall this progress were it to enter into any discussions about the future of the business of Guinness with any other company."

The indications from the Argyll camp last night were that while the company's board had approved in general terms the despatch of an amicable note to Guinness, together with the press release, the merger proposal put forward by Mr Gulliver was not discussed.

Mr Gulliver, who first identified Distillers as a suitable takeover target, is thought to be somewhat more enthusiastic about the possibilities of a link-up with Guinness than some other members of his board, though there is general agreement that this remains a possibility.

However, Argyll's main energies are focussed at present on its negotiations to buy the UK arm of Safeway, the supermarkets chain, which are nearing a climax.

News of the letter sent Guinness's share price sharply higher, and it closed at 280p, up 14p on the day. Argyll, however, closed down 13p at 341p.

CONTENTS

Wallmann's calm words soothe W German environment fears

BY DAVID MARSH IN BONN

WEST GERMANY'S Environment Minister, Mr Walter Wallmann, brought into the Government in June to calm people's environmental fears after the Chernobyl nuclear accident in the Soviet Union, can be fairly said to be rather pleased with himself.

He symbolises the new political mix of economic orthodoxy and environmental consciousness adopted under Mr Helmut Kohl's Administration. With ecological issues one of the dominant themes of the election campaign, he is under fire from the Greens anti-nuclear party and the opposition Social Democratic Party (SPD) for alleged insufficient activity in cleaning up the environment.

But the energetic Mr Wallmann has at least had a psychologically soothing effect on volatile West German opinion since his move to Bonn seven months ago from the City Hall of Frankfurt, where he was previously mayor.

His entry into the Government also coincided with the recovery in the Chancellor's political fortunes which looks like sweeping the coalition to victory in Sunday's general election.

In an interview this week, Mr Wallmann rejected completely the views of the Greens as representing "the wrong way" to tackle the problems of an advanced industrial society. But he promised "without doubt" tougher environmental restrictions for the chemical industry in the next legislature period.

Although opposing any idea of any *Ausstieg* or exit, from nuclear energy, he admited that few new nuclear plants were expected to be built in West Germany over the next 10 years.

Mr Wallmann is the latest incumbent in the Palais Schaumburg, a 19th century mansion used as an annexe to the Chancellery headquarters in Bonn. The building has served as home at various times for industrial magnates, members of the imperial family and West Germany's post-war occupying forces.

Much of West Germany has faced "smog alerts" this week caused by atmospheric pollution. Looking out of the window at the fog descending over the Rhine-side scene, Mr Wallmann said that any move away from atomic energy would do more harm to the environment by increasing emissions from coal-fired power plants.

Does he agree with a recent much-quoted remark from Mr Kurt Biedenkopf, chairman of Mr Kohl's Christian Democratic Union (SDU) in the industrialised state of North Rhine Westphalia, that the Greens "ask the right questions?"

No, he does not. "It is irresponsible to promote an Ausstieg from high technology."

Accusing the Greens of being "purists," he claims, perhaps extravagantly, that their anti-industrial policies could do harm not only in West Germany but also abroad. "If we ban the nitrogen synthesis industry (producing fertilisers among other things), more people wil be dying of hunger," he says.

There is no doubt that the always ecologically conscious West German electorate has become even more so in the wake of Chernobyl and the Rhine pollution caused by Swiss and German chemical companies at the end of last year.

But Mr Wallmann says public opinion, the focus of its worries lurching from acid rain one week to nuclear energy the next, and then on to the depleted ozone layer or the degree of mercury in rivers, has too short term a perspective.

"Sobriety and determination" should be the order of the day, he proclaims — coupled with the realisation (lacking in some European governments) that environmental problems can only be tackled through international co-ordination.

He says his own attitudes to the environment have changed. "I used to wash my car in the street without thinking of chemicals or oil residues seeping into the water table."

Mr Wallmann — one of the few clear high-fliers in the Government — is bidding to become Prime Minister of the state of Hesse in this autumn's state elections there. He has his eye at some stage on higher political ambitions. But, in spite of (or perhaps partly because of) all the broadsides from the Greens, he terms as "fun" his environment job. "If the chancellor wants me after the election, I'll be glad to stay on," he says.

West Berlin's Greens defy the cold to challenge Allied actions

BY LESLIE COLITT IN BERLIN

A SPRINKLING of near frozen supporters of the Alternative List (AL), as the Greens are known in Berlin, and Social Democrats braved minus 15 deg C temperatures last Sunday to protest about the chopping down of several thousand trees on the approach to the Royal Air Force base at Gatow in West Berlin.

They were far outnumbered by policemen who prevented them getting anywhere near workers felling and trimming pine trees to comply with stricter Nato safety regulations for airfields. The low key protest was atypical of the AL.

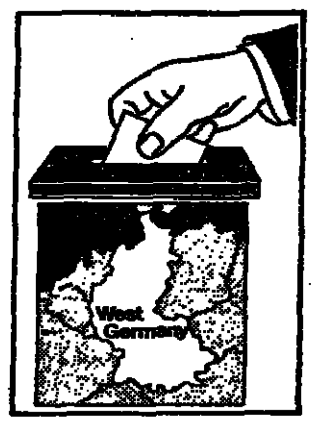
At the last protest demonstration against tree removal at Gatow in 1982, hundreds of AL supporters staged sit-downs amid the trees and had to be removed one by one by the authorities. In the meantime, though, the AL has been convinced of the futility of trying to oppose Allied actions in the city.

A previous citizens' appeal, enjoying AL support, against a new British army shooting range was refused a hearing by a British court after West Berlin courts were told they could not deal with claims against the Allies.

The AL, in the 1985 West Berlin elections, won 15 seats in the 144-seat Assembly and has been a prime mover in environment issues. It condemns the transport of West Berlin's refuse into East Germany, arguing that it eventually returns in the form of polluted water and air — a cycle picturesquely referred to as "refuse tourism."

The Berlin Greens also belittle the city's efforts to install anti-pollution equipment in power stations as farcical. They claim the "scrubbers" installed to reduce sulphur dioxide pollution are technologically inferior to the equipment being used in West Germany. Since much of the pollution raining down on West Berlin comes from East German power stations, fuelled with brown coal, the AL proposes that the Bonn Government simply give East Germany the money to buy the anti-pollution equipment it otherwise could not afford.

The time has long passed when AL representatives were seen by the West Berlin establishment as a greater threat to the city than the Soviet divisions surrounding it. Today, the casually clad AL parliamentarians juggle cocktail glasses and plates at official receptions.



Pre-election call to the colours

By Haig Simonian in Frankfurt

TRUE, no one was knitting, but many of the other cliches about West Germany's growing Greens party seemed accurate, if Wednesday night's pre-election get-together at Bergen-Enkheim, a dormitory town eight miles north-east of Frankfurt, was anything to go by. However, visitors overloaded with preconceptions about the Greens as a bunch of high-minded idealists, fellow-travelling with the extreme left, were in for a let-down.

Of course, most of the audience, mainly in their mid-20s to mid-30s, were immediately identifiable as committed Greens in their standard kit of boots, jeans, Arran pullovers and anoraks.

The meeting started late, not that anyone in the audience seemed to mind; indeed many of the no-longer-so-young Greens seemed quite happy to drift in late, eventually filling the appropriately green-upholstered hall up to and even beyond its 700-plus capacity.

The Greens here have got the wind in their sails. Frankfurt is the largest city in the state of Hesse, where their party has shared power with the Socialist SPD in the "red-green" coalition for the past 15 months.

Nowhere else in West Germany are the Greens so prominently represented, and their confidence showed through. Some, but not all, would like to see their trail-blazing local alliance copied elsewhere.

The draw for Wednesday night was Mr Joschka Fischer, the popular 38-year-old ex-nightime taxi driver who is now environment minister for Hesse.

A few quick swipes at obvious targets like Chancellor Helmut Kohl of the CDU, and that ever popular bogeyman, Mr Franz-Josef Strauss, chairman of its Bavarian sister party, the CSU, warmed Mr Fischer to his theme.

That was nuclear energy, and its manifold evils. But this was no tub-thumping diatribe about the pernicious atom. Mr Fischer, a fine and direct speaker, is one of the party's realists. Almost making a virtue of his limited formal education—he left school before passing his final secondary examinations—Mr Fischer speaks with reason and patience.

"It can be done," he says with immense conviction about the gradual elimination of nuclear power. Yes, there will be job losses, he admits, but that is only one side of the coin. Whatever else the Greens are no "salami" party. Essential principles like doing away with nuclear power cannot be progressively sliced away on the road to gaining office.

European policy on $ urged by Delors

By Quentin Peel in Strasbourg

MR JACQUES DELORS, the European Commission president, yesterday accused the US of seeking to blackmail its trading partners by letting the dollar fall, and called for urgent agreement on a common European dollar policy.

Speaking in the European Parliament on the eve of crucial negotiations to prevent the outbreak of a new trade war between the EEC and the US, he insisted that US domestic economic policy was largely to blame for the country's huge trade deficit.

"Europe will not go on accepting this kind of blackmail inherent in the fall of the dollar," he said. "We are prepared to be your partners, but we are not prepared to pay for your problems."

He backed up a warning from Mr Leo Tindemans, the Belgian Foreign Minister and current president of the EEC Council of Ministers, that efforts to force closer political ties between the Community and both the US and Japan would be threatened by prolonged trade tension.

Mr Delors spelt out his concern about the dollar's fall on the stability of the European Monetary System, and his disappointment at the outcome of the January 12 realignment of parities of the currencies within the exchange rate mechanism. Urgent measures were needed both to strengthen the operation of the system, and to agree on a co-ordinated dollar policy, he said.

The fall of the dollar also has a drastic effect on EEC finances, because export subsidies for farm products are linked to international dollar-denominated market prices. The Commission was told this week that the dollar movement since Christmas had added more than Ecu 1bn (£740m) to spending costs in the EEC budget, with a financing gap to be filled now approaching Ecu 5bn.

Mr Delors begged both the European Parliament and the Council of Ministers to resolve their differences over the 1987 budget, without which the Community is having to function on emergency financing, without any cash for new programmes.

He promised full proposals by mid-February from the Commission on long-term financing needs, as well as further plans to reform the common agricultural policy and boost regional and social funds.

Mr Tindemans, spelling out the Belgian presidency's plans for its chairmanship of the Council of Ministers up to June, promised urgent efforts to resolve the immediate budget crisis, and a foreign ministers' meeting to discuss the long-range financing plans next month.

The Commission is seeking a substantial increase in financing contributions from the member states in future years, linked to a doubling in the size of social and regional policies, and further radical steps to reduce on farm policies.

Mr Delors declined to give any details yesterday, before he completes his tour of Community capitals to consult all the heads of government. He was due in Paris yesterday for what will be the first of the three most difficult discussions: with France, West Germany, and Britain, the three net contributors.

Talks with Mrs Margaret Thatcher, the British Prime Minister, who has made it known she is unwilling to give any more money to Brussels, have been scheduled for February 5.

Spain rejects Moroccan overture on enclaves

BY DAVID WHITE IN MADRID

SPAIN yesterday rejected a Moroccan proposal to set up a joint commission to discuss Ceuta and Melilla, the two Spanish enclave towns on the Moroccan coast which are the object of a long-standing claim by Rabat.

News agency reports from Rabat said the proposal was contained in a message from King Hassan to King Juan Carlos, which the Moroccan monarch handed over during talks on Wednesday with Mr Jose Barrionuevo, the Spanish Interior Minister.

The Spanish Foreign Ministry, which denied the existence of a letter but did not rule out a verbal message, said Spain continued to regard Ceuta and Melilla as Spanish and that there were therefore no grounds for forming a consultative commission.

Spain has been fighting an increasingly difficult battle to keep its own campaign for regaining sovereignty in Gibraltar separate from the issue of its own North African enclaves. It bases its argument on the fact that, while Gibraltar is a colony, conquered in the early 18th century, the enclaves pre-date the formation of the modern Moroccan state. Melilla has been part of Spain since the late 15th century and Ceuta, formerly Portuguese, since the 16th century.

However, King Hassan's reported message, referring to the "anachronistic character" of the enclaves, bears distinct echoes of Spain's position over Gibraltar. King Juan Carlos used the word "anachronism" when reiterating Spain's claim to the British Colony in an address to the United Nations General Assembly last September. Britain and Spain agreed in 1984 to discuss the Gibraltar problem.

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EUROPEAN NEWS

Industry outlines telecoms policy for EEC

BY WILLIAM DAWKINS IN BRUSSELS

EUROPEAN BUSINESSES yesterday called for urgent steps to bring cohesion of technical standards and more open competition to the EEC's fragmented telecommunications industry.

A delegation from Unice, the the European industrialists' federation, yesterday presented *outline proposals for* a telecommunications policy to Mr Michael Carpentier, *the* European Commissioner responsible for the sector. The group warned that the $1bn trade surplus now held by Community telecommunications equipment makers could vanish by the end *of the decade unless there is* a "complete rethink of the way *in which the sector is organised* in Europe."

Yesterday's document is the first public attempt by both equipment makers and users to give a common view on how the EEC should influence telecommunications.

The Community has yet to finalise its own policy for the sector, though it has agreed on *mutual recognition of terminals* and moved to co-ordinate the introduction of Integrated Services Digital Networks. "We are all supposed to be working towards the introduction of a free internal market, but this cannot happen until the infrastructure for telecommunica*tions is properly in place,*" said Mr Tom Hardiman, joint leader of the delegation.

The Unice policy aims to *enable users to choose from* the widest range of equipment and to strengthen the position of European manufacturers on world markets. To achieve this, it calls for faster action to liberalise national telecommunications markets, though it warns that if this is done "too abruptly, *it is likely* to open the way to a possibly stronger *presence of Japanese* and American companies."

Unice estimates that it costs $1bn to develop a digital telephone exchange, which must therefore capture 8 per cent of the world market to cover its costs. Since the EEC only represents 20 per cent of the world market, it will become increasingly important, argues Unice for European producers *to co*operate.

Joint research is crucial in this respect, though Unice does *criticise some* EEC funded research programmes for becoming increasingly applications oriented, rather than dealing with the pre-competitive phase of development. More importantly, it suggests that companies *must now* "develop their strategies in the light of worldwide market structures."

It calls on member states to ease competition regulations to encourage telecommunications mergers at all levels and asks for "concerted action" to open up procurement to suppliers from other member states.

Between 2 and 5 per cent *of public sector* contracts are placed with other member states, according to Commission figures. The loss of efficiency that low figure implies — it compares with 50 per cent in liberalised telecommunications markets—leads *to a loss of up t*) 2 per cent of the Community's *gross domestic product.*

Plant breeding breakthrough could cut crop costs

BY TIM DICKSON IN BRUSSELS

A SCIENTIFIC breakthrough of *possibly great importance* was claimed yesterday by a Belgian biotechnology company which says it has developed plants totally resistant to a well-known weed killer.

Plant Genetic Systems (PGS), which has *its headquarters in* Brussels, believes the discovery will sharply reduce the cost of spraying industrial crops such as sugar beet, cotton, potatoes, corn and oil palm.

"Any crop for which genetic engineering is technically possible could benefit," Mr Jan Leemans, the company's research manager said yesterday.

PGS, a joint venture formed in 1982 by three Belgian companies and the sugar beet breeding subsidiary of the Swedish group, Volvo, *is pursuing ways* of marketing its new idea and particularly its future commercial arrangement with Hoechst, the West German chemical company which manufactures the broad spectrum herbicide Basta.

Basta is one of a new genera*tion of herbicidies characterised* by its fierce destruction of weeds, safety to human beings and animals, and its rapid degradation. The product was chosen for experiments by PGS due to the "combination of potential commercial benefits and scientific feasibility." PGS denies receiving any financial support from Hoechst.

The challenge for the Belgian company was how to make crops resistant to the herbicide, leaving it free to work on weeds alone. The solution started to emerge, PGS said yesterday, when Biogen of Geneva isolated a gene which produces an enzyme that recognises phosphinotricin (the active ingredient in Basta) and subsequently modifies it into an inactive compound. Rigorous testing—using up to 10 times normal doses—showed that plants containing the new modifying enzyme remained unchanged and suffered no damage when sprayed with the herbicide.

Tomato, potato, and tobacco plants completed their growth and reproduction cycle producing new plants that were also resistant.

The company claims that the costs of producing both cash and *industrial crops will be* reduced because weed-killing is such an expensive item. Dr Leemans estimates that herbicide costs could be cut by as much as a third in the European sugar beet industry

Tax plans benefit better-off in Italy

By John Wyles in Rome

THE ITALIAN Government has proposed controversial changes in the country's tax law that would offer substantial tax relief for middle and high income earners.

The plan, drawn up by Mr *Bruno* Visenti, the Finance Minister, would fund the income tax concessions partly through higher levies on business and bears more than a passing resemblance to the recent changes in US tax legislation.

The draft legislation, which needs parliamentary approval, would cut taxes by up to 8 per cent on incomes up to £30,000 a year by up to 15 per cent on very high incomes of more than £300,000.

The cuts would come into force at the beginning of the 1988 budget year and would be financed, according to Mr Visentini, partly through the recently introduced tax on *yields from Treasury* bills and bonds and partly from a levy on revalued corporate assets.

The Finance Ministry said the total cost of thec concessions would be L4,700bn (£2.38bn) in 1988, rising to L6,500bn (£3.32bn) in 1989. Mr Visentini claims that his proposed tax relief would more than compensate for inflationary "fiscal drag" since the tax rates were last adjusted.

Thep reposed changes look very much like a pre-election give-away which is attempting to respond to growing middle-class demands for tax relief. Although the Italian burden is not above the European average, tax collection is becoming gradually more efficient and therefore onerous, particularly for self-employed shopkeepers and artisans. Their represnetatives yester*day criticised* the measures as "inadequate and partial."

Business reaction is bound to be critical. A parallel measure will require companies to revalue all assets either in line with stock mar*ket values or at replacement* costs. The government plans to tax 25 per cent of the new asset values, which Mr Visentini estimates at around L26,000bn. He expects a yield to the Treasury of at least L3,000bn.

Soviet 'openness' extended to BBC broadcasts

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET UNION yesterday confirmed that it had stopped jamming the BBC Russian Service after seven years because of the new policy of openness introduced since Mr *Mikhail* Gorbachev became Soviet leader.

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, said: "The withdrawal of jamming of the BBC is a demonstration of the extension of *Glasnost* (openness). Jamming would continue for the *US*-backed Radio *Free* Europe and Radio Liberty but he would not comment on Voice of America.

The jamming of foreign radio broadcasts was discontinued when detente was at its height *during* the 1970s, but resumed in 1980 when relations between the US and Soviet Union deteriorated. The radio interference does not affect the English language broadcasts of the BBC World Service.

Preventing Soviet citizens from hearing what foreign radios were saying in Russian has become an increasing embarrassment to Mr Gorbachev's Government over the past two years, at a time when Moscow is making a particular effort to draw attention to its *more* liberal and democratic stance at home and abroad.

The Soviet authorities also probably feel less vulnerable to foreign radio reporting given the much greater openness in the Soviet media on problems, disputes and disasters at home. In the past these were often *only reported by foreign radios.*

Soviet intellectuals appealing for greater openness in the domestic media have argued that the obsessive secrecy of the Brezhnev era created a vacuum of information in the country *which was exploited by the US.*

Despite the improvement in the quality of the Soviet media, its English language radio for abroad, Radio Moscow, has *remained true to its long tradi*tion of propaganda by endless repetition of Soviet foreign policy positions and saccharine accounts of life in the Soviet *Union.*

Norway banks may be sued over lending

NORWAY'S FINANCE Minister, Mr Gunnar Berge, said yesterday that several commercial banks may be prosecuted for presenting inaccurate statistics of how much money they lent in 1986, Reuter reports from Oslo.

The central bank says banks lent NKr 30bn (£2.7bn) more than they reported to the government in the first nine months of 1986.

Mr Berge said the banks, which he declined to name, would have to pay a penalty for avoiding an additional reserve requirement imposed last year on banks exceeding their lending ceilings.

Central bank officials said some commercial banks appeared to have presented lower lending figures by using brokers to issue loans, transactions which would not appear on the bank's.

Bidders line up for French TV

BY PAUL BETTS IN PARIS

MANOEUVERING behind the scenes by France's main publishing and media groups is reaching a climax as the newly established communications commission prepares to open the bidding for the concessions to own and operate the country's private television channels.

The large groups have been negotiating a series of alliances in an effort to be in a strong position to secure the concessions for one of the three networks up for bids.

These networks include TF-1, the oldest and largest state television network to be privatised in coming months, the so-called Fifth Channel currently operated by Mr Silvio Berlusconi, the Italian television entrepreneur, and by Mr Jerome Seydoux, chairman of the Chargeurs group, and the TV6 or French music channel.

The Hachette publishing group in partnership with the Havas state-controlled advertising and media group appear the *frontrunners to gain* the TF-1 concession. Hachette, the country's leading publishing group, has ambitions to expand in television broadcasting.

Havas, which is also due to be privatised in coming months, seems to have decided to team up with Hachette although it had until recently been linked with the Compagnie Luxembourgeoise de Telediffusion (CLT) and the Paribas banking group to try to gain control of the Fifth Channel.

Mr Robert Hersant, the French right-wing newspaper magnate and publisher of Le Figaro, is now seeking to win control of the Fifth Channel.

Until recently, Mr Hersant had shown interest in becoming the operator of the privatised TF-1 network. However, in recent weeks he has shifted his sights on the Fifth Channel prompting, it appears, the decision of Havas to bid with Hachette for TF-1.

Sir James Goldsmith's Express publishing group is also keen to gain a foothold in the Fifth Channel, while Bouygues, the country's largest construction group, has long sought a stake in TF-1. At the same time, both Mr Seydoux and Mr Berlusconi, *the current* operators of the Fifth Channel whose concession granted by the Socialists has been cancelled by the present government, are also negotiating with the other large groups in an effort to protect their French broadcasting interests.

The battle for control of the country's private television networks has been particularly intense because of the lobbying power of the groups involved and the enormous political influence of television broadcasting in France.

Polish army eases stand on objectors

By Christopher Bobinski in Warsaw

POLAND'S MILITARY authorities have taken a soft line towards the latest batch of conscripts who have refused to take the military oath or serve in the armed forces, according to Freedom and Peace (WIP), a pacifist pressure group.

It said that 20-30 of last autumn's military draft who made their opposition clear have either been given deferments or posted to civil defence detachments after resisting persuasion and harassment.

Defence Ministry officials have also said recently that non-military service for objectors on religious grounds was possible. This could mean a respite for up to 1,000 Jehovah's Witnesses whom WIP estimates are serving prison sentences for refusing to do military service.

Rise in Swedish inflation rate lowest for 18 years

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

THE SWEDISH inflation rate *rose* by 3.3 per cent last year, the lowest increase for 18 years but still sufficient to trigger the price clause in the current two-year national wage *agreements,* which *allows* unions in both the private and *public sectors* to re-open pay negotiations.

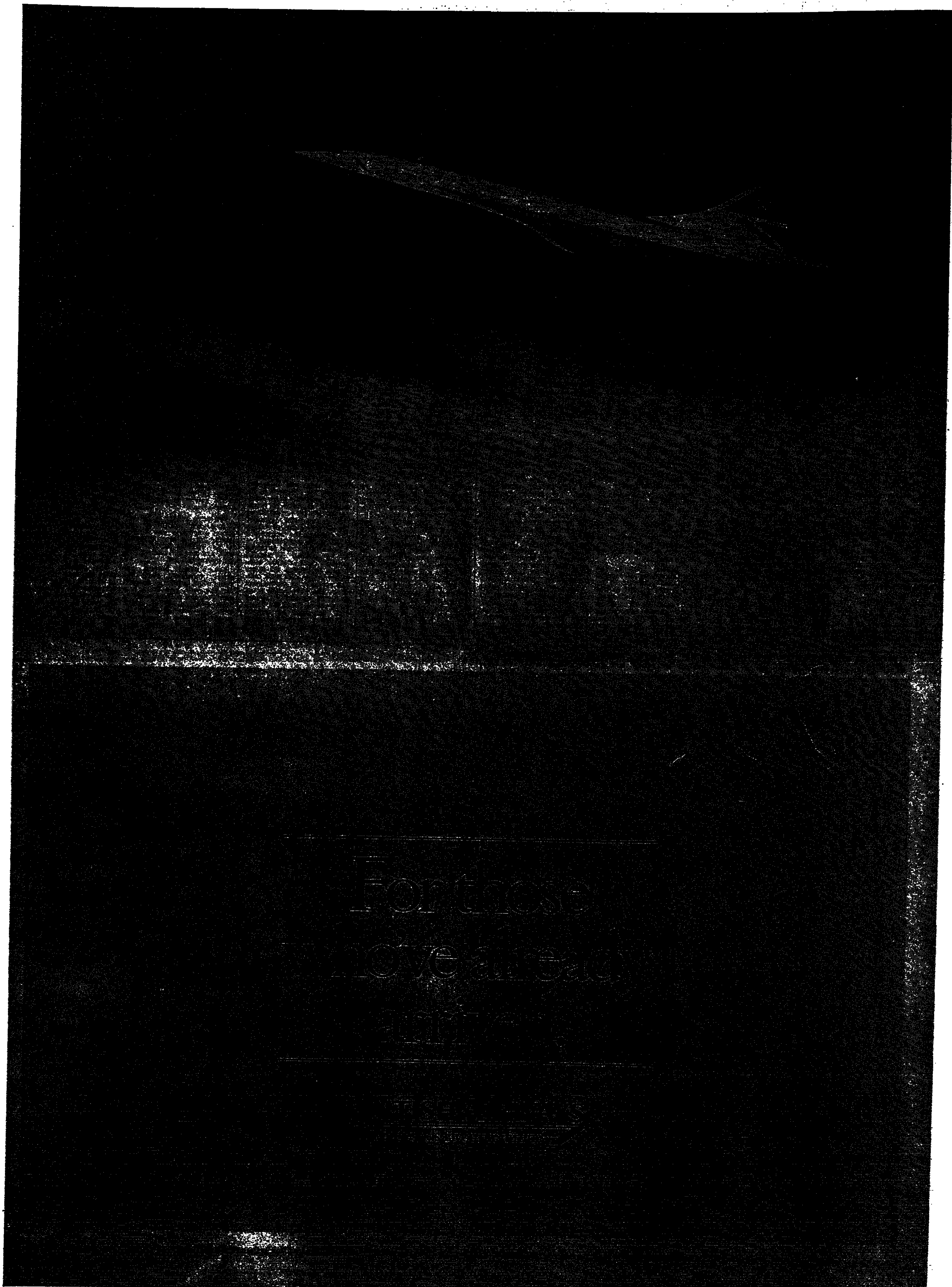
The price ceiling of 3.2 per cent agreed by the private sector employers and unions last spring has been exceeded by the smallest margin, however, and it is still unclear how the unions will act.

Some union leaders are clearly concerned about the *rising trend in inflation forecast* for this year, and there is a risk that the present two-year deals covering 1986-87, which were only reached after prolonged industrial action in the public sector last year, will have to be renegotiated.

The Government forecast earlier this month that inflation would be rising by some 4 per cent by December 1987, but most other economic forecasts are more pessimistic and indicate an inflation rate closer to 5 per cent by the end of the year.

Concern has been growing about the continuing high level of wage drift in the private sector, and figures released *earlier this week showed* that the hourly earnings of an industrial worker in November had risen by 8.3 per cent compared with a year earlier.

The problem of reducing price and wage levels to those *of its main trading partners* has remained the Achilles heel of the Swedish economy and has been one of the major costs of the Social Democratic Government's determination to make low unemployment its first priority.


For those
who've already

US urges Pakistan to take tough line in Afghan talks

BY JOHN ELLIOTT IN ISLAMABAD

PAKISTAN HAS been asked by the US not to be drawn into making any offers about closing down Afghanistan's Mujihadeen resistance fighters' clandestine arms supply routes and training camps when it holds high-level meetings in Moscow later this month to probe the Soviet Union's plans for withdrawing from Afghanistan.

The meetings will form part of a hectic round of diplomatic activity which is to take place before indirect UN-sponsored talks are resumed in Geneva between Pakistan and Afghanistan. These talks are now likely to be delayed for about two weeks from the scheduled date of February 11 at the request, it is believed, of Pakistan, backed by the US.

This has emerged after visits to the Pakistani capital of Islamabad during the past week of Mr Michael Armacost, US Under-Secretary of State for Political Affairs, and Mr Anatoly Kovalyev, the Soviet First Deputy Foreign Minister.

Mr Yakub Khan, Pakistan's Foreign Minister, who has held talks in China, Iran and Saudi Arabia in the past few weeks, is now conducting further consultations at an Islamic summit in Kuwait which is also being attended by Mujihadeen leaders. After the summit he is to fly to Moscow.

The US is more sceptical about the Soviet Union's intentions than Pakistan, whose senior Foreign Ministry spokesman said yesterday his Government believed the recent Soviet initiatives "point to a desire for an earliest possible settlement."

The aim of the diplomacy, from the West's point of view, will be to try to discover whether the Soviet Union has really decided it cannot win a military victory in Afghanistan and is therefore now keen to reach a settlement with its recent offers of a ceasefire and government of reconciliation.

The alternative is that it is simply carrying out a propaganda exercise to complicate the Geneva talks, possibly as a prelude to increased military activity in Afghanistan.

The Pakistani Foreign Ministry spokesman indicated yesterday that ways might also be discussed of developing contact between Moscow and the Mujihadeen leaders, who refuse to have formal talks with Mr Najibullah's regime, but who might be prepared to discuss compromises on a form of interim government with Soviet-backed leaders if a short timetable is proposed for removing the troops.

On the other hand, the Soviet Union is probably not prepared to offer a short timetable till it is sure that the Mujihadeen will accept a ceasefire and that Pakistan will cut off clandestine arms supplies, primarily funded by the US and Saudi Arabia, and close down Mujihadeen training camps on its territory.

This increases the need for the Mujihadeen to be involved in talks, although the Soviet Union would almost certainly prefer to bypass them. It is believed to be trying to create "zones of peace" within Afghanistan to undermine the resistance fighters' influence.

Waite 'safe and still negotiating'

By Our Foreign Staff

MR TERRY WAITE, the Archbishop of Canterbury's special emissary, was last night safe and still engaged in talks with Shia Moslems holding American hostages, according to an official of the militia responsible.

A spokesman for the Progressive Socialist Party, the Druze organisation, said: "Mr Waite is fine and he is still negotiating with the hostage holders."

He was understood to be meeting members of the shadowy Islamic Jihad movement, the pro-Iranian coalition responsible for most abductions of Westerners in Lebanon.

Peter Bruce adds from Bonn: The West German Government appeared yesterday to have made little progress in its efforts to end the captivity of one of its citizens, Mr Rudolf Cordes, in Beirut last week.

Neither had there been any news by late afternoon of a second West German, Mr Alfred Schmidt, who is believed to have been taken hostage outside his Beirut hotel on Tuesday. The Bonn authorities know for sure that Mr Cordes is being held in retaliation for the arrest at Frankfurt airport last week of an Arab man suspected of having helped hijack a TWA jet in 1985, during which a US navy diver was murdered.

Maggie Ford reports on the unpredictable nature of Seoul politics

Torture case spoils Korean leader's credibility

KOREANS ARE often described as a volatile people, quick to show their emotions, outspoken and rather unpredictable. As the country's ruling party struggled to regain the initiative after this week's police torture scandal politicians must have reflected ruefully on the way events have lived up to the description.

Only two weeks ago, the leader of the country's ruling Democratic Justice Party, President Chun Doo Hwan, warned in a New Year speech that if negotiations on constitutional reform between his party and opposition politicians were not speedily concluded, he might have to take a "grave decision" to ensure Korea's progress to democracy.

At that time the ruling party must have felt that it held all the cards. The opposition New Korea Democratic Party (NKDP) was riven with disagreements between two faction leaders, Mr Kim Dae Jung and Mr Kim Young Sam, and the party's president, Mr Lee Min Woo. A sense of disarray was evident.

Yet now it is the ruling party whose members are embarrassed and whose policies and officials have been found wanting.

The revelation that a student had been tortured to death by police interrogators shocked Koreans, although it is not by any means the first incidence of police brutality. Human rights groups claim that more than 50 people have disappeared, presumably into police custody, or died in the past six years.

Low oil prices and the appreciation of the yen against the US dollar helped South Korea register a $4.65bn (£3.1bn) surplus on the current account in 1986, the first in the nation's history.

The surplus, which compared with an $887m deficit in 1985, was achieved with the aid of substantial export growth, the Bank of Korea reported. The car industry, following the startling success in North America of the Hyundai company's Excel model, shows a rise of 155 per cent to a value of $1.38bn while electronics exports' growth rate reached 43.4 per cent.

The textile industry remained the largest export earner with $8.23bn in 1986, a 24 per cent rise over the previous year.

Those charged with pro-communist sympathies are thought to be the main recipients of rough treatment from the police. Torture through electric shocks and plunging suspects' heads under water to extract confessions or information seem to be the main methods used for those the police view as serious offenders.

Students arrested on demonstrations normally face less harsh treatment, such as the refusal to allow sleep, withdrawal of food and extremely poor prison conditions.

The Government has responded to the public shock very quickly in comparison with past incidents. A police investigation was set up the day after the event was first revealed and its report two days later was remarkably frank about what had happened. Two police officers were charged with offences amounting to murder and their supervisor was sacked.

The following day President Chun dismissed his Interior Minister and South Korea's police chief while expressing his regret at the incident and determination to prevent any further brutality. A special agency has been set up to protect human rights, with the suggestion that prominent citizens from all walks of life take part.

The President's swift action appears to have had a favourable effect on foreign opinion, with the US state department welcoming his efforts to ensure that the tragic incident would never be repeated. It remains far from clear, however, whether the credibility of his ruling party will recover from this setback quickly.

A number of DJP politicians had called immediately for swift action over the student's death, reflecting concern in the party over the far less open handling of an incident of maltreatment last year, in which a woman student said she had been subject to sexual abuse during police interrogation.

They hope the speedy action will have limited domestic damage.

For the opposition the student's death has provided a window of opportunity, both to paper over the cracks of their disagreement and to gather further support on an issue which provoked such widespread condemnation.

The dissent within the NKDP grew over the best way of attaining their aim of a constitutional amendment allowing a presidential style of election with direct voting, rather than the Westminster style Cabinet system the ruling party is advocating.

It centred on a seven-point plan put forward by Mr Lee, the party president, to try to break the deadlock over constitutional negotiations which had persisted for several months. The plan covered issues such as freedom of the press, expansion of people's rights, neutrality of officials, release of political prisoners, the fostering of the two-party system, a fair electoral system and local autonomy.

If his plan was accepted by the ruling party, Mr Lee said, he might agree to discuss the Cabinet form of government proposal as the basis for constitutional amendment. Mr Lee's plan was rejected by both Mr Kims because, they said, it might have given the impression that the opposition was deviating from its demand for a presidential style of government.

The opposition has now reunited following the withdrawal of Mr Lee's proposal and remains determined to stick to its stance. It has won strong support from religious and human rights groups for its response to the torture revelations, and some opposition leaders also see the incident as an opportunity to improve liaison with moderate students.

Political observers believe that because some student groups have become so radical in the past year, more moderate activists might find they now have more in common with the politicians.

For the moment the DJP has decided to continue to press for consensus over the constitutional amendment, possibly through negotiation over various reforms similar to those put forward by Mr Lee. The result remains in doubt, but in the next year South Korea seems likely to continue to be just as volatile and unpredictable as it has been in the past two weeks.

Chinese academics and propaganda chief purged

BY ROBERT THOMSON IN PEKING

THE PURGE of Chinese academics continued yesterday with the dismissal of the president and vice-president of the Chinese Academy of Sciences, and diplomats said that the country's propaganda chief, Zhu Houze, had also been dumped.

Conservative Communist officials, whose opinions now have a prominent place in the Chinese media, continued their assault on present economic policies by demanding that enterprises given more power under reform now turn their "full attention" to their responsibilities to the state.

Zhu Houze had apparently been suspended from his propaganda post for mishandling the recent student protests and allowing the spread of "bourgeois liberalism," by which the party means Western influence. Diplomats said yesterday Zhu had been replaced by a deputy, though no official statement has been made.

The official Chinese news agency, Xinhua, announced that the president of the Chinese Academy of Sciences, Lu Jiaxi, and the vice-president, Yan Dongsheng, have been "removed," but gave no explanation for the reshuffle. Diplomats are certain that the removals are part of the drive against "bourgeois liberals."

A former vice-president of the academy, Zhou Guangzhao, is the new president, while a former deputy head of the Communist Party's Propaganda Department, Teng Teng, a Soviet-educated chemical engineer, has been appointed vice-president. Coincidentally, Teng has been appointed president of the Chinese Science and Technology University, from which the outspoken astro-physicist Fang Lizhi was saked last week.

Several Chinese writers, who have been told this week that it is their duty to "serve Socialism," yesterday attacked another expelled party member, Wang Ruowang, an elderly writer said to be "under the influence of total Westernisation" and encouraged "national nihilism."

Kuwait oil fires in run-up to Islamic summit

By Richard Johns

THE simultaneous outbreak of three fires at Kuwait's oil installations on Tuesday could signal a concerted effort by Iranian dissidents to disrupt the Islamic summit scheduled to begin on January 26.

The official line of the Kuwaiti authorities is still that the blazes were not the result of sabotage. But it has an implausible ring about it following the string of explosions on the same day at the Al Ahmadi refinery last June.

Responsibility for the latest mishaps was claimed by an unknown name in the constellation of Middle Eastern terrorism, calling itself the "Revolutionary Organisation — the Forces of the Prophet Mohammed in Kuwait."

Recently warnings against Kuwait have been issued to news agencies in Beirut in the name of several organisations known to be linked with Iran. It bitterly opposes the holding of the Islamic summit in Kuwait because of the assistance given by the state to Iraq in the Gulf conflict, in particular port facilities for the import of armaments given to it at Shuaiba Port.

Immigration to Israel at record low

By Andrew Whitley in Jerusalem

JEWISH immigration to Israel dropped last year to a record low since the founding of the state in 1948, underlining the gravity of one of the country's most worrying—and intractable—problems.

Government figures showed that during 1986 only 9,500 individuals were registered on arrival as new immigrants or potential immigrants, a fall of 11 per cent on the previous year. More worryingly, nearly 60 per cent were keeping their options open, by refusing to commit themselves.

The long-term decline in immigration—in recent years the statistics have even shown a net emigration—has presented successive governments with many difficult, heart-searching questions, going to the heart of Israel's raison d'etre as a homeland for all Jews.

Behind the goals of the latest economic plan, approved last month, providing for full employment and an improvement in the standard of living through a faster growth rate, lies this perennial concern over the need to maintain the attractiveness of the state to potential immigrants.

Jeyretnam faces fine

BY STEVEN BUTLER IN SINGAPORE

SINGAPORE'S leading opposition politician, Mr J. B. Jeyretnam, could face a heavy fine following the finding of a special parliamentary committee that he was guilty of abusing parliamentary privileges.

The Committee on Privileges yesterday recommended that Mr Jeyretnam be fined S$1,000 (£307) for impugning the independence of the judiciary with allegations of executive interference, and S$25,000 for contempt of parliament.

The contempt charges stem from five newsletters that Mr Jeyretnam sent to his parliamentary constituents in which according to the committee he wilfully distorted and misrepresented the proceedings of the committee.

The recommendations are a threat to Mr Jeyretnam's political future. He was stripped of his parliamentary seat in November following a court conviction of false declaration, in which a judge imposed a $5,000 fine and a one month prison sentence.

Bonn to resist pressures for early economic boost

BY DAVID MARSH IN BONN

MR GERHARD Stoltenberg, the West German Finance Minister, is prepared to see the dollar drop further against the D-Mark rather than to decide any short term fiscal stimulation which could compromise price stability in the federal republic.

Mr Stoltenberg, who attended the Bundesbank's council meeting yesterday at which discount rate was cut, is determined to resist pressures on the Bonn government to expand or advance significantly tax cuts planned for next year.

He also believes that any immediate effort to rally the dollar through intervention action my major central banks would probably be futile.

Mr Stoltenberg's innate scepticism about the usefulness of political agreements or statements to try to stabilise currencies has been reinforced by the failure of the Bank of Japan in recent days to brake the dollar's fall, in spite of massive intervention.

Rumours of international action to stabilise the dollar have been circulating in view of the meeting in Washington on Wednesday between the US and Japanese finance ministers.

The meeting was intended to back up commitment to the US-Japanese exchange rate accord of end-October—an agreement which Mr Stoltenberg never expected to have much impact.

Although a meeting of officials from the five countries—the US, West Germany, Japan, France and Britain, may take place fairly soon, Mr Stoltenberg scotches any idea of a speedy meeting of the five ministers.

The earliest date for such a session, he believes, is a few weeks before the International Monetary Fund's next interim committee meeting in Washington on April 9.

Mr Stoltenberg was in close contact with Mr Karl Otto Poehl, the Bundesbank president, in the days before yesterday's Bundesbank meeting. These discussions paved the way for the cut in discount and Lombard rates, accompanied by measures to absorb banking liquidity.

Mr Stoltenberg's unwillingness to see the Bundesbank enter into any intervention undertakings to stabilise the dollar is fully in line with the Central Bank's own view.

Mr Stoltenberg believes that intervention would be unlikely to work so long as the US trade deficit shows no signs of improvement and the US Government remains ambivalent about whether it wants the dollar to rise or fall.

Although the US still have fairly substantial foreign exchange reserves, Mr Stoltenberg does not believe that, politically, the US Government would be prepared to authorise their use to prop the sliding dollar.

He believes that intervention has no chance of braking a firm trend in a market dominated by capital movements 10 times bigger than those which brought the end of the fixed-rate Bretton Woods system.

Mr Stoltenberg's tough view over the dollar, and his refusal to countenance fiscal reflation, reflect his belief that West Germany must hang on to price stability achieved in the past few years.

Mr Stoltenberg has been irritated by proposals of the Free Democratic Party (FDP), the junior partner in the Bonn coalition, to bring forward to this year 1988 tax cuts of DM 9bn.

Before taking any action, either to increase the size of next year's cuts or to bring them forward to July or October, Mr Stoltenberg wants to bring in a new system for better controlling federal spending.

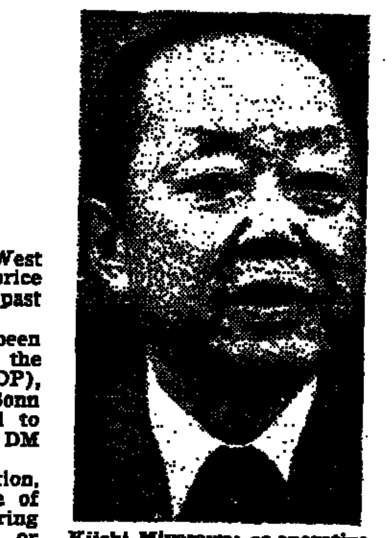
He also wants to examine all the implications for higher spending in Bonn caused by the EEC's budget crisis and the effects of extending the Community.

Although he says he is not "dogmatic" about wanting to stick to West Germany's current zero inflation, he would prefer to see prices rising by no more than 2 per cent a year.

His views remain deeply coloured by West Germany's balance of payments and budgetary difficulties caused by reflation under the Schmidt government in 1978.

He has been irked above all by this week's call for tax cuts from Count Otto Lambsdorff, the FDP's economic spokesman.

Mr Stoltenberg notes that Count Lambsdorff, as Economics Minister under Mr Schmidt, was partly responsible for the 1978 budgetary stimulus. The present Finance Ministry describes this action as having had ruinous consequences.



Kiichi Miyazawa: co-operative efforts

Pledge on monitoring of markets

THE FOLLOWING is a text of the US-Japanese statement on exchange rates:

"The Japanese Minister of Finance, Kiichi Miyazawa and the US Secretary of the Treasury, James A. Baker III, met today to discuss economic, trade and financial issues of mutual interest to their countries.

"Both ministers stated their continued support for the understandings and agreements contained in their joint announcement of October 31, 1986. In this connection, they agreed to continue co-operative efforts to stimulate growth and to reduce external imbalances.

"Secretary Baker and Minister Miyazawa agreed that developments in exchange markets warrant monitoring. The ministers expressed their view that during most of the period since October 31, 1986, the yen/dollar exchange rate has been broadly consistent with underlying fundamentals, although there were recent instances of temporary instability in exchange markets. Accordingly, the ministers reaffirmed their willingness to co-operate on exchange market issues.

"Both ministers agreed that in order to promote global growth, reduce imbalances and promote open markets, closer co-ordination of economic policies among all major industrial countries is critical. Toward this end, they agreed to intensify consultations with other major industrail nations."

JAPAN EXPECTED TO CUT KEY INTEREST RATE

Ray of light amid Tokyo gloom

BY IAN RODGER IN TOKYO

THE BANK of Japan is believed to be about to announce a 0.5 per centage point reduction in its discount rate to 2.5 per cent. The rate change, which comes in the wake of the meeting in Washington between Mr Kiichi Miyazawa, the Japanese Finance Minister, and Mr James Baker, the US Treasury Secretary, is expected to be made effective next Wednesday.

Signals of the central bank's intentions reached the Tokyo money markets yesterday morning shortly after reports of the Washington meeting between Mr Miyazawa and Mr Baker.

Dealers said the re-affirmation of the Baker/Miyazawa accord of last October was not enough to stabilise the yen/dollar exchange rate at current levels. However, the central bank decision, together with its renewed intervention in support of the dollar, the succeeded in stabilising the market in Tokyo.

The expected and latest cut in Japan's official discount rate was widely welcomed in Tokyo yesterday—but not because it would have any stimulative impact on the economy.

"According to our economic calculations, it is meaningless," says Mr Takashi Kiuchi, senior economist at the Long Term Credit Bank of Japan.

Mr Nobumitsu Kagami, managing director of Nomura Investment Management, agrees, "as far as a stimulus is concerned, the impact will be negligible," he says.

"With the discount rate already at a post-war low of 3 per cent, Japan's credit conditions are already very relaxed. On the other hand, economists believe the higher yen will further depress the performance of Japan's export oriented industries.

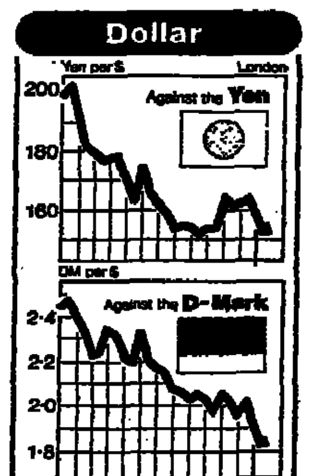
"The outlook is very gloomy," Mr Kiuchi says. "If we assume that the exchange rate of Y150 to the dollar will continue, most Japanese products are not cost competitive. Most of the top managers of raw material and machinery industries are very close to panic."

However, he and others say that the discount rate cut indicates that the government is now willing to do something to try to stimulate the flagging Japanese economy.

Until now, the government's view, which was made clear last month in the proposed budget for the 1987-88 fiscal year, was that no further stimulus was required.

The government's economic planning agency was calling for growth of 3.5 per cent in fiscal 1987-88, on the assumption that the dollar would remain at the Y163 level. Mr Kagami said the EPA forecast now looked "very unrealistic."

Many analysts, both within and outside Japan, were disappointed with the budget. Indeed, it was the budget, together with Japan's record trade surplus with the US in November, that seemed to push the US authorities into accepting the further devaluation of the dollar against the yen that has occurred in the past two weeks.



In any event, the Government now seems to have accepted that it must provide some more stimulus. Economists say that once it becomes apparent that the discount rate is achieving nothing, the Government will have to provide an additional fiscal stimulus.

Many analysts may wonder why the Government has not resorted immediately to a fiscal stimulus. The answer is that the currency crisis has come at a time when the Government's hands are tied.

It has just completed long and tortuous negotiations within the ruling Liberal Democartic Party to gain approval for the budget and for a major tax reform package. Government officials say that any attempt to bring forward new proposals now could cause an unravelling of the existing agreements.

The budget and tax reform packages are certain to face stormy opposition in the Diet session which begins next week, and most observers believe it will take up to three months to secure their passage.

Mr Kagami assumes the first opportunity for new fiscal action will be in April. He worries that in the meantime Japan is about to get caught in a deflationary spiral, as industrial activity continues to decline and unemployment rises. "I am afraid that consumer sentiment will begin to weaken from now on," he said.

Privately, meanwhile, Japanese Government and financial leaders believe the US Government has behaved badly in trying to talk the dollar down instead of discussing problems with other countries. They are also impatient with the leading European countries for failing to achieve a smooth revaluation of the European Monetary System last week.

However, the Japanese have difficulty expressing their anger openly, and so their statements tend to appear bland.

Mr Miyazawa, for example, said recently, ahead of his trip to Washington, that the rise of the yen was an "unfavourable" development

Doubts over Bundesbank moves

BY PETER BRUCE IN BONN

THE West German Bundesbank's moves yesterday to both cut its leading interest rates and to squeeze excess liquidity in the economy were greeted with some scepticism in industry and banking circles.

At the same time, the country's leading economic institutes gave notice that they were sharply downgrading their already modest economic growth projections for this year.

Otto Wolff von Amerongen, president of the prestigious industrial "club" the Deutsche Industrie und Handelstag (DIHT), called the Bundesbank's decisions "contradictory" and said the central bank's goals now lacked clarity.

Mr Wolff said that the Bundesbank, to the extent that it was under political pressure, had prematurely given up the room to manoeuvre that it may need later.

Some bankers called the measures half-hearted, though an official statement from the Private Bank Association said they were "arguable" if economic stability was the reason they have been imposed.

Meanwhile four of the country's five main economic institutes are reported now to regard 1987 growth forecasts made late last year as too optimistic.

Industrialists have never, anyway, believed that a half point cut in the Bundesbank's discount rate, such as that announced yesterday, would have any effect on the domestic economy. The fact that the economic institutes, excluding Kiel University, appear poised to forecast growth of a maximum 2 per cent in their spring report, will only harden a spreading pessimism among manufacturers.

Although the government has just published its forecast for 2.5 per cent growth and more this year, the Munich-based IFO Institute says now that 2 per cent will be "optimal." Growth in exports, which all five institutes reckoned would be 3 per cent this year, would probably be nil, it said.

Slow growth dashes White House hopes

BY STEWART FLEMING, US EDITOR IN WASHINGTON

GROWTH IN the US economy slowed sharply in the fourth quarter of last year, as consumer and capital spending weakened and rising imports continued to siphon off demand to foreign producers, although possibly at a somewhat reduced pace compared with the third quarter.

The Commerce Department said that in the last three months of 1986 the economy expanded at a real annual rate of 1.7 per cent, down from the 2.8 per cent expansion in the third quarter.

For the year as a whole the US economy expanded 2.5 per cent, far below the Reagan administration's initial forecasts of around 4 per cent although it steadily revised its expectations down during the year.

For 1987 the administration is anticipating real growth of around 3.5 per cent. But yesterday's report reinforced the expectations of many private economists that the year is getting off to a slow start and cast an early shadow over the White House's hopes.

But, according to Mr David Wyss, an economist with Data Resources, an economic consulting firm, the weak fourth quarter and what he expects will be a weak first quarter of growth at an annual rate of only about 1.5 per cent, could lead the Federal Reserve Board to lower its discount rate by March.

The cut in the West German Lombard and discount rates yesterday and the expected reduction in the Japanese discount rate, will tend to reinforce these expectations.

Like other private economists, however, Mr Wyss does not expect the US central bank to rush into a discount rate reduction. It will first want to see signs that the economy is getting off to a weak start, he suggests.

Moreover, there is evidence that the Fed is becoming more concerned about the prospects of an acceleration in the rate of inflation this year, particularly if the dollar continues to decline, and about the rapid pace of monetary growth in recent months.

The fourth quarter GNP numbers were weaker than many economists had anticipated but contained a number of elements which continue to puzzle them and which they anticipate may lead to a revision of the data.

In Mr Wyss's view, for example, the Commerce Department in drawing up the numbers may have assumed that the trade deficit is worse than it will be. The December trade figures have yet to be reported and he anticipates the trade deficit will be lower than the $19bn reported in November.

An improvement in the trade picture—the deficit for 1986 is expected to hit a record of over $170bn—is generally seen to be critical if the US economy is to grow this year at close to 3 per cent.

There are, however, some signs that in volume terms, if not yet in value terms, the trade accounts are beginning to turn around.

On Wednesday the Government said that for 1986 as a whole the consumer price index rose 1.1 per cent, the smallest increase for 25 years.

Caribbean tourism sets a new record

BY CANUTE JAMES IN KINGSTON

CARIBBEAN tourist arrivals reached a record eight million last year, with indications that increasing numbers of North Americans took their holidays in the region rather than face what they saw as the threat from political terrorism in parts of Europe.

The Caribbean Tourism Research and Development Centre (CTRC), based in Barbados, said the volume of arrivals last year was 5 per cent higher than 1985, and that "... an increase of this magnitude is larger than has been the norm since 1981."

The centre said the US market, which accounts for two thirds of the regions' tourists, grew last year by 6 per cent. US tour operator are reported by the centre as saying the Caribbean was becoming an increasingly important destination for Americans.

The President has eased the agency and its director out on the edge, argues **John Ranelagh**

Iran scandal reveals CIA's shift from centre stage

THE IRANIAN arms scandal, secretly and ultimately publicly has signified major changes in the status, importance and usefulness of both the CIA and Mr William Casey, its director, to the Presidency.

Both were always in a position to know more about the arms sales for hostages and Contra arms supply deals than they admitted. Mr Casey said he was never told the full story. "We were not running the operation," he said. "That was done by a few fellows in the National Security Council.

Mr Casey's professed ignorance and justifying statement revealed his own assessment of the CIA's place in the Washington scheme of things. It was so far out of the real action, he was in effect saying, that ignorance of the operation would not result in the agency inadvertently stumbling over it and compromising it, or being compromised by it.

He was assuming that the White House was where the action really was and that in spite of assurances to the contrary by himself, the media, and Congress, the CIA was just another bureaucracy.

When Mr Roy Furmark, the hardheaded Canadian who Mr Adnan Khashoggi, the financial backer of the deals, had roped in as an investor, saw Mr Casey on October 7 1986, and told him about the scope of the deals, Mr Casey's reaction was to speak to Lieut-Col Oliver North, the National Security Council staff officer in charge of the deals, and Vice-Admiral John Poindexter, the National Security Adviser. He wanted to know if any CIA people had been involved in the supply of arms to the Contras. Col North assured him that none had been.

Telephoning Col North rather than his own people in the CIA was even more revealing. Mr Casey assumed that no one in the agency could give him an authoritative answer.

Mr Casey recognised that Col North might have instructed Mr Robert Gates, his bright, professional, but institutional, deputy, or Mr Clair George, the quiet administrator who heads the agency's directorate of operations, not to tell him. He himself had been a party to the January 1986 decision that Mr Caspar Weinberger and Mr George Shultz, the Secretary of Defence and State, were to be kept out of the affair. He also recognised that Mr Reagan was not going to interfere — otherwise he would have spoken to the President directly. He kicked up no fuss about the CIA being by-passed in its area of professional expertise.

It was another mark of the agency's real position, and of Mr Casey's. He was no longer the President's chief intelligence officer in practice — that was now a Vice-Admiral's and a Marine Lt-Colonel's role — and the CIA was no longer central. Both were on the edge, and had ben eased there by the Presidency.

There is the suspicion that Mr Casey privately knew or had worked out what was going on, and that the agency did not know. Unlike Mr Weinberger and Mr Shultz, Mr Casey has an office in the White House. It is beside the national Security Adviser's and the National Security Council staff offices. He is an old friend of the President. He was, in several senses, in a position to know.

The unarticulated general point is that in the Reagan Administration, matters are conducted through personal contacts and arrangements, and distrust is endemic.

The White House's resort to secrecy has thrown up another factor. It lies in the role of Israel as a middleman throughout. Embracing Israel as central in the affair demonstrates a most important self-awareness on the part of the US national leadership and the intelligence leadership in particular. It is that the US has not produced an effective, truly covert service, and the political cadre to go with it. In the Iranian arms scandal, Israel effectively replaced the CIA as a secret presidential arm.

William Casey: will not return from sick leave

For the Reagan administration, the Israelis have been the only people who have emerged with real toughness, a worldwide range and an ability to keep secrets. Working with Israel was a way of getting round congressional restrictions and gaining room on the margins.

Mr Casey's illness means he will not be returning to the job. His successor will face the question of how best to re-position the CIA in relation to the Presidency and the other Washington bureaucracies. The odds are against Mr Robert Gates, the present deputy director. He is young, able, but institutional. He has been promoted by Mr Casey and is a little too identified with the present regime and present discontents.

Admiral Bobby Ray Inman, who was Mr Casey's first deputy director, and who in 1981-82 gained an enviable reputation in Congress where he was credited with securing the enhanced budgets the CIA has boasted for the last six years, is a more likely successor. He is a "Big Ear" man—he believes that the best intelligence comes from satellites and electronic devices—and thus in in tune with the mood of withdrawal that characterises the present US political consciousness.

Technical intelligence provides a shield for disengagement. Engagement, as the scandal demonstrates, is difficult, expensive and embarrassing. The US today is almost entirely concerned with domestic affairs and not with US standing in the world. The question of the future is what is the strength of America's disposition to be a great power, not what is the future of the CIA. The strength of the disposition will determine the agency's position.

It is not in the director's or the agency's gift to determine it. And so while Mr Casey's successor will inevitably address the CIA's Washington status, both he and it will only ever be at the centre of US decision making if the President chooses to put them there.

John Ranelagh is the author of The Agency: The Rise and Decline of the CIA, published by Simon and Schuster and Weidenfeld and Nicolson.

Limit on debt servicing urged

BY DAVID GARDNER IN MEXICO CITY

LATIN AMERICAN nations can return to acceptable growth levels only by limiting the amount of capital they export to the industrialised world through the service of their combined $382bn foreign debt.

This is the main conclusion of the working document prepared for the region's finance and foreign ministers, meeting in Mexico City at an extraordinary conference of the United Nations Economic Commission for Latin America (Cepal).

The conference, called at the suggestion of President Miguel de la Madrid of Mexico to discuss development strategies, opens yesterday with debt at the top of its agenda. There was, however, little sign that Latin American countries were much closer to a common approach to the problem than they were when the debt crisis broke in 1982.

Since then, according to the Cepal document, "the fall in living standards of vast sectors of the Latin American and Caribbean population has taken on proportions which would have been unimaginable a few years back."

Although falling international interest rates reduced by a third the region's net tranfer of funds abroad in 1986, this outflow was still $22.6bn. This was 24 per cent of Latin America's exports, only fractionally lower than 1982 levels.

The Cepal document notes that "the spontaneous forces of the market" had not resolved this problem. "It would be desirable, therefore, that a maximum limit on the transfer of real resources abroad be agreed in each case."

No country in the region has been able to reach such an agreement with its creditors, though Peru has unilaterally fixed a debt service ceiling of 10 per cent of exports.

There is little agreement within the region on the long-term merits of the so-called "heterodox shock" or price and wage freeze—strategies used against hyper-inflation by Brazil, Argentina and Bolivia.

The 170-page Cepal document notes cautiously that other experiences where inflation was beaten without sacrificing growth should be studied—in particular Bolivia in 1974-75, Uruguay in 1968-69 and Indonesia in 1965-70.

The Cepal makes little of the fact that Peru grew 8.5 per cent last year and Brazil some 8 per cent—far above the average rise in the region's gross domestic product of 3.4 per cent—suggesting that it accepts these gains may be short-lived.

CIA 'ignored' Iran arms ban

MR GEORGE SHULTZ, US Secretary of State, has testified that he went to President Ronald Reagan to halt a new arms-for-hostages sawp with Iran last month after he found out the Central Intelligence Agency had ignored an order to cease such practices, Reuter reports from Washington.

The Congressman and other congressional sources said Mr Shultz told the House Foreign Affairs Committee yesterday that the CIA conducted the arms-for-hostages effort after Mr Reagan publicly announced on November 19 there would be no more US arms sales to Iran.

Mr Shultz, testifying behind closed doors yesterday, said he approved a new meeting with Iranians in Europe, apparently in London, for December 6 only to learn the Iranians had a new nine-point agenda for an arms-for-hostages swap.

Eastern Airlines plans to halve pay of its workforce

BY ANATOLE KALETSKY IN NEW YORK

TEXAS AIR, the world's biggest airline company, is planning to halve the pay of thousands of employees in its Eastern Airlines subsidiary.

Labour costs for the 13,000 members of the International Association of Machinists who handle baggage and maintain, clean and service Eastern's 286 aircraft, are to be cut by 48 per cent, from $566m (£372m) to $301m, under a corporate plan unveiled in Miami on Wednesday by Mr Philip Bakes, Eastern's new president.

The plan, designed to save $490m of Eastern's $1.7bn mostly unionised annual labour costs, bears the hallmarks of Mr Frank Lorenzo, Texas Air's chairman. In 1983 he put Continental Airlines into bankruptcy to scrap its costly union contracts.

After withstanding a long strike and clearing the unions out of Continental, Mr Lorenzo built up New York Air, took over People Express, and bought Eastern Airlines for $600m.

Mr Bakes said Eastern's annual labour costs average $43,400 per employee against Continental's $29,200. Eastern employed 38,000 people to operate fewer planes than Continental runs with 30,000.

Eastern is planning further economies from the introduction of a voluntary severance plan, he said.

The airline unions said there was no question of re-opening the labour contracts in question, which run until the end of 1987 at the earliest.

Texas Air is expected to force on earlier confrontation by sacking many of its unionised workers and reallocating Eastern's routes and aircraft to its Continental subsidiary.

Friday January

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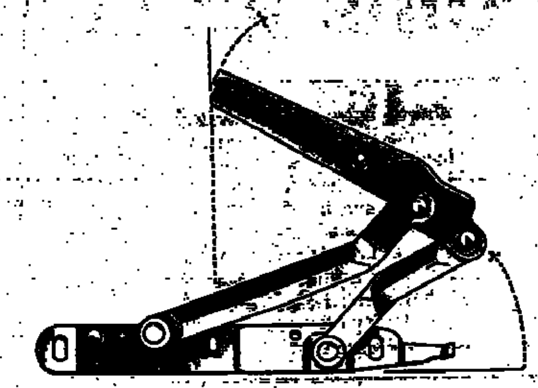
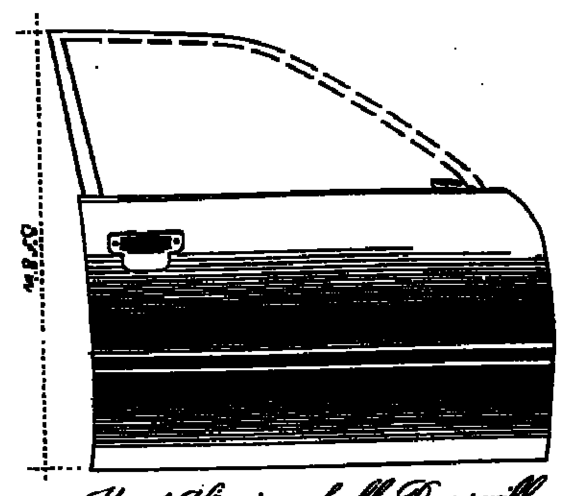
Nº LXXX

The New Audi 80

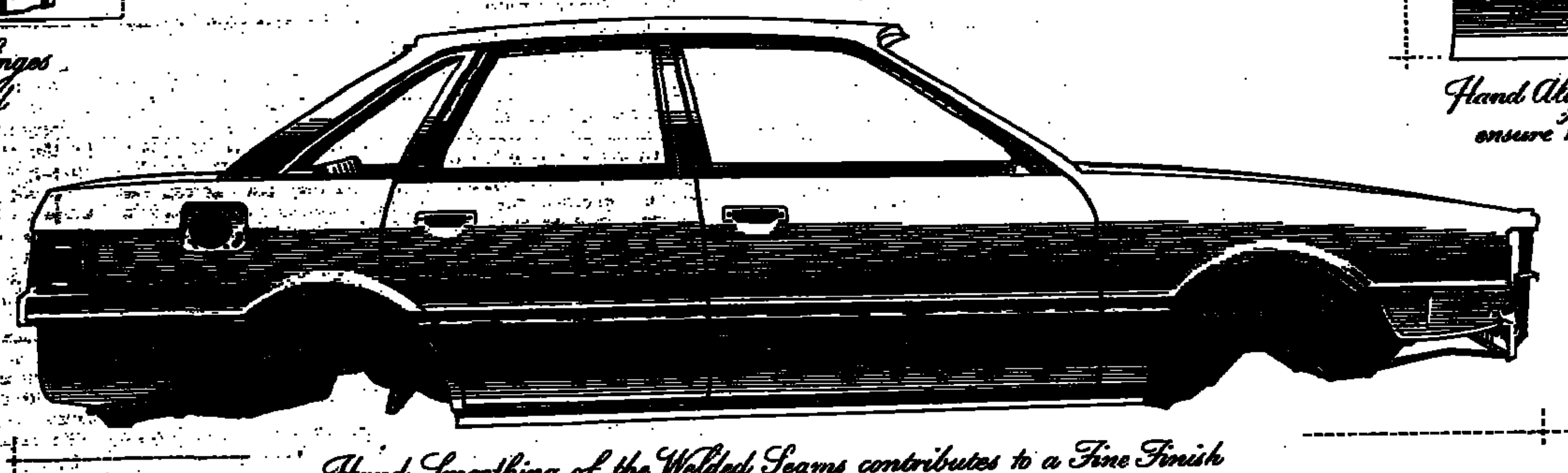
Instructions for the skilled craftsman



The Bolting On of all Hinges is to be greatly Preferred



Hand Aligning of all Doors will ensure the Smoothest Operation



Hand Smoothing of the Welded Seams contributes to a Fine Finish

Dr Ferdinand Piëch

Head of Research and Development at Audi

The way Audi build the new 80 is positively antique.

If a robot existed that could craft a Chippendale chair better than a trained human being, Audi would employ it.

Because, for the new 80, only the best will do.

As it is, Audi use robots to do those jobs robots have shown themselves able to cope with. And skilled craftsmen and women to do those jobs that they, and only they, can do well.

Like feeling the irregularities in welded seams and hand grinding them into oblivion.

Like using their eyes and ears to align the doors correctly.

Like hand mounting the wings, bonnet and boot lid within the extremely fine tolerances allowed.

Like fitting all hinges with fiddly, but much more enduring, nuts and bolts (robots can only weld them).

Audi believe it's worth going to unusual lengths to build the new 80, because they first went to unusual lengths to design it.

The new 80's body not only looks as slippery as a bar of soap, but its Cd factor of 0.29 is a world-beater for the class.

Determined to beat rust once and for all, Audi took the radical step of zinc-galvanising the very sheet steel from which this car is cut.

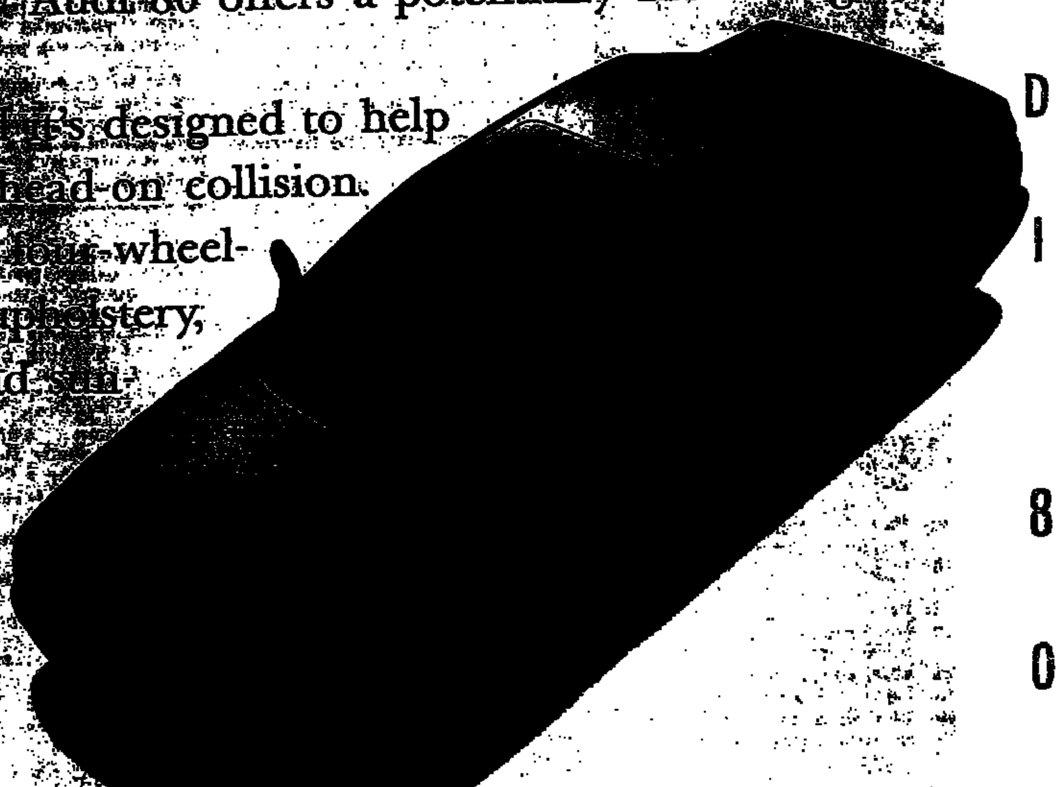
And where your safety's concerned, the new Audi 80 offers a potentially life-saving device available on no other car in the world.

It's an Audi invention called Procon-Ten, and it's designed to help keep your head and the steering wheel apart in a head-on collision.

Other options on the new Audi 80 include four-wheel-drive, ABS, a fuel-injected 112bhp engine, leather upholstery, one-touch electric windows, electric door mirrors and sun roof, air-conditioning.

If Mr. Chippendale were alive, he might well describe the new Audi 80 as a motor car eminently suited to the gentleman of taste and discernment.

You might well describe it as The Business.



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THE NEW AUDI 80 STARTS FROM UNDER £10,000 EXCLUDING NUMBER PLATES AND DELIVERY. BROCHURES AND PRICE LISTS FROM AUDI INFORMATION SERVICE, YEOMANS DRIVE, BLAKELANDS, MILTON KEYNES MK14 5AN. TEL: (0908) 679121. EXPORT AND FLEET SALES, 95 BAKER ST., LONDON W1M 1FB TEL: 01-486 8411.

WORLD TRADE NEWS

Japan chooses French technology for N-plant

BY GEORGE GRAHAM IN PARIS

JAPAN Nuclear Fuels Services has chosen French technology for the construction of its new Y700bn ($4.6bn) nuclear fuel reprocessing plant.

Agreement has been reached between JNFS and France's Societe Generale pour les Techniques Nouvelles (SGN), a subsidiary of the state-owned nuclear fuels group Cogema, on the sale of the reprocessing technology.

Final contracts worth a total of FFr 2bn ($325m) are expected to be signed in the first half of this year.

The plant, to be sited at Rokkasho Mura in the far north of Japan's main island of Honshu, will use the design of the new plant now under construction at Cogema's La Hague reprocessing works.

It will treat 800 tonnes of spent fuel a year to produce reusable uranium and plutonium and is expected to come into service in 1995 or 1996.

The new La Hague plant is due to start up in 1987, and the existing plant to be upgraded from 400 to 800 tonnes a year.

Mr Jacques Merlet, deputy managing director of SGN, said yesterday that JNFS — controlled by the Japanese electricity companies — had chosen French technology for the overall conception of the plant while opting for some specific technologies from British Nuclear Fuels and West Germany's DKW.

The main contract will cover the purchase and use by JNFS of technology developed within the group of Commissariat à l'Energie Atomique (CEA), the French nuclear energy authority, to which both SGN and Cogema belong. It is expected to be worth around FFr 1.1bn.

A second contract will cover engineering work for Mitsubishi Heavy Industries, which is leading a Japanese consortium on the project. It is likely to yield around FFr 800m.

Japan operates 32 light water and enriched uranium reactors, but its nuclear industry development plans call for another 120 to be built over the next 40 years.

Cogema already claims to be France's largest exporter to Japan, with sales totalling around FFr 2bn a year of nuclear fuel, enriched uranium through its subsidiary Eurodif and contracts for reprocessing spent Japanese nuclear fuel at its French plants.

SGN originally provided the technology for the small Japanese reprocessing plant at Tokai Mura.

US-Japan trade talks to reopen in Tokyo

By Carla Rapoport in Tokyo

HIGH-LEVEL US-Japan trade talks re-open in Tokyo next week on subjects ranging from semiconductors to supercomputers.

Neither side is expecting miracles, but the talks are beginning in an atmosphere of surprising good humour.

Next week's Washington team will be led by Mr Bruce Smart, Under Secretary of Commerce, and Ambassador Mike Smith, Deputy US trade Representative. Mr Makoto Kuroda, Vice-minister of International Affairs for the Ministry for International Trade and Industry (MITI) will head the Tokyo side.

None of the topics are new. Nonetheless, both sides are expecting to report at least some progress toward settling the numerous trade disputes between the two countries. Working level talks are going on this week.

The subjects to be covered are the US-Japan semiconductor trade pact, increased US access to the Japanese supercomputer market, increased access for foreign lawyers in Japan and acceptance of foreign contractors in Osaka International Airport.

Already this week, some progress was made on the airport issue. Following talks with airport and government officials, Mr H. P. Goldfield, Assistant Secretary for Commerce, announced that Bechtel of the US had signed a small consultancy contract with a group of six Japanese companies to help design the terminal building of the new project.

Mr Goldfield called the deal a "small but significant step toward foreign participation in the project."

The airport project, which has been under development for more than 10 years, has become a symbol to many Americans who see the traditional Japanese way of doing business as a non-tariff trade barrier to foreign contractors. The US had threatened retaliatory action if Americans were denied access to the project. The Japanese, for their part, have maintained that foreign companies have shown almost no interest in the Y1,000bn ($6.5bn) project until recently, when most of the contracts for the initial stage of construction had been signed.

The US and Japanese negotiators will also hope that progress will continue on the US-Japan semiconductor trade pact, which has been in effect for more than six months. The Japanese are expected to ask for further downward revision of the fair market value (FMVS) at which Japanese chips can be sold in the US.

Japan is also expected to report that its new committee aimed at increasing foreign chipmakers' access to the Japanese market will be in operation this April. The committee, which will be led by MITI officials, has been reluctantly funded by Japanese chipmakers.

Turkey in talks on Soviet gas

By David Barchard in Ankara

TURKEY is negotiating a deal with the Soviet Union under which a consortium of 10 Turkish construction companies would build hotels on the Black Sea to help defray the cost of imported Soviet natural gas.

The hotels include the Tavrida, a 500-bed hotel at Yalta, as well as a cultural centre in the same city, the Apsheron Hotel in Baku, and the Stochi Hotel at an unidentified site on the Black Sea.

News of the planned hotels was announced as a six-man Soviet delegation head by Mr Oleg Davidov, the vice-president of the Foreign Relations State Council, arrived in Ankara to negotiate further details of the arrangements under which Turkey will purchase 750m cubic metres of Soviet natural gas this year rising to 4,000m cubic metres annually by 1990.

US feed tariffs will bring 'serious' consequences

BY TIM DICKSON IN BRUSSELS

STEEP EEC import tariffs on American rice and corn gluten feed could have "very serious" financial consequences for European traders and the European animal feed industry, two Brussels lobbying organisations said yesterday.

The import tariffs would be introduced at the end of this month if the US carries out its threat to tax $400m of EEC food and drink.

The cereals trading group Coceral and the compound feeding association FEFAC claimed that any escalation of the conflict between the US and the EEC would "above all" hit the Common Market.

The warning comes on the eve of today's crucial talks in Washington to resolve the simmering trade conflict over US exports of corn and sorghum to Spain.

In a letter to senior European Commission officials they express concern about the domestic impact of the EEC plan to impose retaliatory import levies on corn gluten feed and rice of between Ecu 42 (£31) and Ecu 55 (£41) per tonne.

Assuming an average levy of Ecu 50 (£37) per tonne, the organisations point out that the animal feed industry in the Community (Spain and Portugal excepted) would have to pay an extra Ecu 75m (£56m) on the 1.5m tonnes of corn gluten feed it will buy up to the end of May.

These costs, it is said, cannot be passed on to consumers and as a result "some businesses may fail."

The letter asks the Commission to consider "transitional" arrangements under which US products arriving in the Community would not be taxed before 31 May—"a period which corresponds to the validity of actual import certificates."

The Commission which hopes that the crisis will be resolved long before the middle of the year is unlikely to be moved by the plea, but officials concede privately that many European groups may unwittingly get caught in the crossfire.

Total in deal on Argentine offshore field

By Paul Betts in Paris

TOTAL-CFP, the French oil group, has reached an agreement with the Argentine national oil company YPF on contract terms which is expected to clear the way for the start of development work in coming months on Argentina's first offshore oil field.

The agreement removes the major hurdle holding up development of the Hidra oil field off the eastern coast of Tierra del Fuego. Although the Argentine authorities still have to approve the agreement between Total and YPF, development of the field is now expected to start soon with production coming on stream at the end of next year.

Hidra will represent an investment of about $250m

SAS plans new discount fares to US destinations

BY HILARY BARNES IN COPENHAGEN

SAS, the Scandinavian airline, plans to introduce new super discount fares from Oslo and Stockholm to its four American destinations, New York, Chicago, Seattle and Los Angeles.

This follows Wednesday's decision by the Danish Government to approve super discount fares between Copenhagen and New York for Tower Air, a small US independent, and Northwest Orient Air lines.

SAS replied immediately to the challenge from the two US airlines with an application to fly the same route with a similar discount.

Northwest and SAS will charge DKr 2,499 ($358) for the return trip. Tower Air, which is co-operating with Tjaereborg, the Danish travel group, will be charging DKr 1,999.

The previous cheapest discount fare between Copenhagen and New York was DKr 4,499.

The new fares from Stockholm and Oslo have not been announced yet, but the cheapest discount fare from Stockholm to Oslo at present is SKr 4,350

Northwest's office in Copenhagen was unable to say yesterday whether Northwest will also apply for new discount fares between Stockholm and Oslo and New York.

Nancy Dunne looks at a US report on protectionism

Trade curb that fails to deliver

THE appearance on Capitol Hill this week of US labour leaders brought the expected calls for tough trade measures against "discriminatory mercantilist" nations.

"We have built the longest and strongest consumer market in the history of the world," said Mr Lane Kirkland, president of the AFL-CIO, the US labour organisation. "If we go down, we don't go down alone. The whole world goes down with us."

No matter how the US Congress would like to respond to the leaders' pleas, any enthusiasm for protection is likely to be restrained by a new Congressional Budget Office (CBO) report entitled Has Trade Protection Revitalised Domestic Industries?

In four case studies — of the textile and apparel, steel, footwear and automobile sectors — the much-respected CBO found that the protection given those industries in order to help them recover from import penetration provided few long-run benefits.

Textiles and apparel manufacturers, who have had 30 years of quotas, have made "significant strides" in introducing new products, increasing productivity and decreasing costs. But the study maintains that protection was probably not a significant factor in the increased investment which produced these gains.

"While employment in both industries has declined somewhat, imports have not caused an abrupt contraction in the industry," the report said.

Both the textile and apparel sectors face competition from domestic as well as foreign supplies so that even without foreign supplies, "dislocations" could be expected, it added.

Because there was no technology available which would erase the cost differential between domestic producers and those of developing countries,

Lane Kirkland: 'We don't go down alone'

US manufacturers were increasingly adopting practices which make the most of their principal advantage—proximity.

They were, said the report, shortening production runs to be more responsive to changes in demand, and developing closer relations with domestic retailers so that they could respond quickly to orders. None of this needed the boost of protection to happen.

As for steel, the report says that neither the voluntary restraint agreements nor the trigger price mechanism provided to protect the industry have increased its international competitiveness. Now, with more foreign production available, consumption has declined because of a decline in construction work and greater use of substitute materials.

Between 1968 and 1982, productivity in the industry grew less than 50 per cent as rapidly as in other areas of manufacturing.

Protection, the report adds, failed to produce substantial modernisation or new job gains but it did, apparently, lead to higher salaries for steel workers in the 1970s — gains which made US steel even less competitive.

The US car industry has, in fact, produced "substantial growth" in labour productivity in the past five years, the report says. However, most of its substantial investment has been in response to changing consumer tastes and competitive developments.

"At most, quotas enabled domestic producers to accelerate some of these programmes."

In addition, US producers were facing "a moving target" because Japanese and European producers were also taking steps to cut costs and improve quality.

When the US negotiated a voluntary restraint agreement with Japan in 1981, the US industry was, the report adds, facing its greatest challenge in the market for small cars. The South Koreans, Yugoslavs and Brazilians were now competing in that market while the Japanese have begun to produce larger and higher-priced cars for import, hitting a sector which has traditionally been the most profitable for US producers.

The US footwear manufacturers were given quota protection between 1976-81, but imports increased from unconstrained sources. There was evidence that profits and investment increased, but, the report points out, after the trade protection lapsed imports expanded rapidly and domestic output and profits declined.

While trade restraints have failed to increase US competitiveness, the report considers the possibility that the failure may have resulted from inadequate protection. Alternatively, protection may not have enabled companies to overcome structural disadvantages, such as US wage levels.

The report offers other options: using tariffs rather than quotas, co-ordinating efforts towards competitiveness by business, labour and government and focusing on helping displaced workers.

The third option is the most attractive to the Reagan Administration which has released a Labour Department report calling for a $900m programme to help train and re-employ workers who have lost their jobs through imports or new technology.

The recommendation has the support of Congress, which has fought the Administration's attempts at every turn as it sought to phase out worker training and adjustment schemes.

Mr Kirkland recommended that new training schemes should be paid for by "those who exploit the American market."

Mr Lloyd Bentsen, chairman of the Senate Finance Committee, which will write new trade legislation, replied "I agree."

CANADA has urged the US to give higher priority to the eight-month-old free trade talks between the two countries and to raise spending on acid rain controls, Bernard Simon reports from Toronto.

Mr George Bush, US Vice President, said he had been given an "earful" by Canadian Prime Minister Mr Brian Mulroney on the acid rain issue after a hastily arranged meeting in Ottawa, but that a free trade agreement remained possible despite domestic protectionist pressures.

But Mr Bush made no firm commitments on either the acid rain or free trade issues. He declined to set a timetable for completion of the free trade talks.

UK NEWS

Michael Donne reports on Rolls-Royce's run-up to privatisation

Boeing boosts Rolls jet engines

THE decision by Boeing of the US to offer the proposed new Rolls-Royce Superfan jet engine as an alternative powerplant to the General Electric GE-36 prop-fan on the projected 7J7 airliner, is a major boost to the UK engine company in its run-up to privatisation this spring.

The engine, currently in the concept stage, will be developed by International Aero Engines, the five-nation, seven-company consortium in which Rolls-Royce is a 30 per cent shareholder.

The 7J7 is the long-awaited new short-to-medium range airliner from Boeing, seating about 160-170 passengers, and originally intended to be powered solely by new "prop-fan" engines, giving substantial improvements in fuel consumption.

But the rapid emergence of the Superfan jet engine, also incorporating much new technology and offering big improvements in performance, has radically changed the market situation, and Boeing now cannot afford to ignore it.

The Superfan engine is one of several major future civil engine programmes being studied by Rolls-Royce to meet the needs of the world airliner market in the 1990s and beyond.

It is designed to offer savings of up to 25 per cent in fuel consumption over current jet engines. It will have a thrust of up to 30,000 lbs and will be mounted under the wings of the 7J7 airliner.

It will thus rival the "prop-fan" engine now being developed by General Electric of the US, which will also be offered on the 7J7, but mounted on the rear-fuselage.

The world's airlines will thus be given a choice of engine concepts when Boeing goes out to market its new 7J7 this spring – either adopting the revolutionary prop-fan engine or the Superfan advanced jet engine.

Rolls-Royce has been discussing the Superfan engine for some time with Pratt & Whitney of the US, which is also a 30 per cent shareholder in International Aero Engines, and they have agreed that the IAE consortium is the best vehicle for developing the new engine.

The discussions between the two companies are now sufficiently far advanced for Rolls-Royce to say that a formal commitment to go ahead with the Superfan will be taken this March. It is this confidence in turn that has encouraged Boeing to adopt the Superfan for the 7J7.

The Superfan has already been selected by Airbus Industrie, the European airliner manufacturing consortium, as a power-plant for its projected new four-engined long-range airliner, the A-340, on which a development go-ahead is expected this spring.

The other major new civil engines which are being studied by Rolls-Royce and which it expects will provide important contributions to its profits in the 1990s, include a "Contra-fan" big-thrust prop-fan type engine for advanced versions of the Boeing 747 Jumbo jet, and a smaller prop-fan engine for other types of airliner.

These will be in addition to such other new engine developments as improved versions of the RB-211-524 D4D engine for Jumbo jets and other big jet airliners, and new military engines such as the EJ-200 for the projected European fighter aircraft (EFA).

Rolls-Royce estimates that the world market for civil aero-engines through to the end of this century will amount to about £70bn, and that the military engine market will be even bigger, at over £100bn.

The company's current order book stands at about £3.25bn, of which civil engines account for about £1.5bn and military engines for about £1.46bn (the rest being industrial and marine engines, spares and nuclear activities).

During 1985, the latest year for which full accounts are available (the 1986 figures are likely to be issued in advance of privatisation in the spring), civil engine sales amounted to £377m, giving an operating profit of £73m, while military engine sales amounted to £735m, yielding an operating profit of £110m.

Rolls-Royce supports this high level of sales with a big research and development budget, which in 1985 amounted to £235m or about 15 per cent of total turnover, and it expects to maintain this percentage of R&D spending in relation to sales over the years ahead.

In particular, the company is placing considerable emphasis on its collaborative programmes, which it says help to reduce the development and production costs by spreading the risks, while also widening the eventual markets.

The company says that its strategy in the civil engine market in particular is to be able to offer, either alone or in collaboration, a turbofan or turbo-prop engine to compete in each major power-plant category for airliners and that it has the technology to develop other engines, such as the new Superfan, "if suitable market opportunities arise".

It is significant that several of the large programmes on which it will depend for much of the profits in the 1990s are already collaborative ventures, including not only the Superfan itself but also the EJ-200 European fighter aircraft engine, further developments of the military Pegasus vertical take-off engine, as well as new studies into advanced supersonic vertical and short take-off and landing engines (in conjunction with Pratt & Whitney of the US).

Although no decisions have yet been taken, it seems likely that when the company starts development of the big-thrust Contra-fan engine and the smaller prop-fan engine later this decade or early in the 1990s, these will also be collaborative ventures, possibly also being undertaken through the International Aero Engines consortium.

That group, in addition to Rolls-Royce and Pratt & Whitney with 30 per cent stakes each, includes Motoren und Turbinen Union of West Germany, Fiat Aviazione of Italy and Japanese Aero Engines (which itself includes three big Japanese engine companies), thus making it a seven-company, five-nation group.

Charges to airlines for air traffic control services at the seven UK airports owned and run by BAA plc (formerly the British Airports Authority) are being reduced by the Civil Aviation Authority by an average of 4.5 per cent on domestic flights and 7 per cent on international flights from April 1. The cuts are possible because of "tightly controlled costs and the confirmed buoyancy of traffic," the authority says. The biggest reduction is at Glasgow Airport with 14.3 per cent for domestic operations and by 14.9 per cent for international. The smallest cuts are at London area airports, Heathrow, Gatwick and Stansted, where most traffic is handled and will range between 2.5 per cent and 3.9 per cent.

Rover looks to Montego for 'punch'

By Kenneth Gooding

AUSTIN ROVER, the state-owned motor group, launches two new versions of the Montego car today, giving the first indication of its new marketing approach since Mr Graham Day took over as chairman and promised to give it "more commercial punch."

The new versions were developed after one of the most extensive market research programmes ever carried out in the UK motor industry.

Austin Rover says the research, which covered its whole model range, "identified new marketing opportunities which are exemplified by the new Montegos."

The company promises similar changes will be made to other models in its car range as the year moves on.

It says the new Montego models are "very firmly targeted at both business and private buyers in the up-and-coming young-to-middle-age group wanting a sporting, distinctive and affordable motor car."

It is clear that the company intends from now on to place the marketing emphasis on specific models rather than on Austin Rover itself and the complete car range. The new models, for example, do not even carry the Austin name on the outside of the car, just the Montego badge.

The launch will be backed by television advertisements which, in keeping with the sporty, dynamic image Austin Rover is attempting to project, feature the new models smashing through showrooms windows to present themselves to potential customers.

The new approach is closely identified with Mr Kevin Morley, 37, who joined Austin Rover as marketing director in May last year about the same time as Mr Day.

Mr Morley was recruited by Austin Rover's former senior management team from Ford of Britain where he spent nine years, most recently as marketing manager, cars and trucks.

From the day he arrived he has worked with Austin Rover's advertising agency DFS Dorland, which took over from Leo Burnett in 1985.

Austin Rover chose to start the new approach with the Montego to reverse the downward trend which saw its share of the new car market in the UK fall from 17.7 per cent to 15.5 per cent last year.

The Montego this year has a chance to win fleet sales from General Motors, the Vauxhall group. Demand for the Vauxhall Cavalier is fading because it is well known that a replacement is on the way.

However, Ford also expects to improve its position in the fleet market by introducing a substantially revised Sierra range very shortly, to which a booted version has been added to broaden the Sierra's appeal.

The new Montego models developed as a result of Austin Rover's research have high levels of specification which include two-tone paint finish, a sunroof as standard and a three-band electronic stereo radio/cassette player.

Standard Chartered battens down the hatches

BY DAVID LASCELLES, BANKING CORRESPONDENT

STANDARD CHARTERED Bank bears all the signs of a ship preparing to repel boarders. The measures announced yesterday to shake up the management structure of its sprawling global network, and boost its profit performance are clearly designed to strengthen defences against attack.

The announcement comes six months after Standard successfully fought off the £1.3bn takeover bid by Lloyds Bank with the help of well-heeled Far Eastern friends – only to find itself at the centre of more speculation about its future, and facing heavy loan losses in the Pacific region.

Its friends, Sir Y. K. Pao of Hong Kong, Mr Robert Holmes à Court of Australia and Tan Sri Khoo Teck PuatofMalaysia who collectively bought 29 per cent in the rescue, joined the board (though Tan Sri Khoo later resigned after the National Bank of Brunei affair).

All are sitting on substantial paper losses from their investment and must have been pressing for action to boost Standard's share price, which closed at 779p last night, compared to well over 800p at the time of the bid.

However, predictions that these "white squires" would seek to break the bank up into readily saleable bits to recoup their investment have not been borne out: Standard is still in one piece and seems set to remain so.

Whatever these shareholders do with their stakes (Tan Sri Khoo has been offering his at 900p), the big threat that looms is of a renewed bid by Lloyds once the 12-month standstill required by the Takeover Code expires next July 12.

Lloyds has made a point of saying that it is keeping its options open. "We're not going to have a defence unless investors see that we are determined to improve our performance," said Mr Michael McWilliam, Standard's chief executive.

But as it strives to cement the loyalties of its friends, Standard's problem is that its 1986 results, due to be announced on March 24, will be distinctly disappointing. Mr McWilliam admits that the bank's exposure to the troubled Wah Kwong and Tung shipping empires, and to the collapsed Pan-Electric Industries group in Singapore "have knocked the stuffing" out of brokers' forecasts of £280m-£300m pre-tax. This suggests that profits will be little changed from the previous year's £268m, – not a strong defence weapon.

But Mr McWilliam claims that the figures will create the wrong impression. The underlying revenues generated by the bank are strong, he says, but the bank has had to make exceptionally large one-off provisions to "clean out" these bad debts.

With the big cost-cutting and efficiency drive launched yesterday, Standard hopes to achieve sharp improvements in its hitherto lacklustre earnings per share. Some 170 jobs have been shed in London, and the new policy, Mr McWilliam says, is designed as much to save candle ends as create new attitudes towards control of costs and efficient use of resources. "We're doing a Kremlin-style self-criticism."

Whether these measures will be enough to smarten the performance of a group with £30bn in assets remains to be seen. But the results will be closely watched by Standard's shareholders. Mr McWilliam dismisses reports of boardroom rows with the "white squires" as nonsense and says his relations with them are "normal."

He also denies that there is any intention of splitting off parts of the bank and selling them to local shareholders, particularly the Hong Kong operation which is one of the bank's largest. "We have a large banking group which we are not in the business of dispersing," he said. "It does not even make sense to incorporate our branch in Hong Kong."

However, he does hold out the possibility of changing the proportionate ownership of parts of the bank. This would mean selling off a stake to other investors. An operation of this kind took place recently with Union Bank, Standard's California subsidiary, which sold preference shares to US shareholders to finance Union's acquisition of a bank in neighbouring Arizona. Mr McWilliam also mentioned Chartered trust, the bank's UK finance house, as a possible candidate for this treatment.

Standard has listed its shares on the Tokyo stock exchange, where Japanese shareholders now hold about 1 per cent of the equity.

Mr McWilliam is keen that the measures be taken as visible signs that Standard is doing something to improve its performance. But the announcement had a modest impact on the market yesterday where the shares price rose 7p. Analysts said Standard would now have to deliver the goods it had promised, and doubts would remain about the loyalty of its biggest shareholders until then.

In the reorganisation Mr Alan Orsich has been appointed an executive director, with responsibility for the international treasury, trading and Eurocurrency operations of the group; he also has responsibility for Mocatta and Scimitar Asset Management. Mr David Millar, who has overall responsibility for commercial banking, has been appointed senior executive director.

Mr Robin Baillie has resigned his executive responsibilities due to ill-health but will remain on the board as a non-executive director. Mr Richard Stein, executive director, is to assume wider responsibilities as executive director, finance and administration.

In addition to the executive directors, two newly-appointed senior general managers will join the executive committee. They are Mr Bill Brown, who returns from Hong Kong to London to assume responsibility for the Asia Pacific Region on the retirement of Mr Ralph Winton; and Mr Alan Wren, at present general manager, Africa, who will in addition take overall responsibility for the Middle East/South Asia region and for Standard Chartered Export Finance.

Mr Patrick Macdougall (chief executive, Standard Chartered Merchant Bank), who is already a member of executive committee will assume overall responsibility for the UK, Chartered Trust and merchant banking.

Office high-rise may fetch £15m

By Terry Dodsworth

ONE OF LONDON'S first central office skyscrapers, the Thorn EMI head office building, is going on the market shortly at a price expected to be well in excess of £15m.

Designed by the architect Sir Basil Spence in the characteristic glass-box style of the late 1950s, the building was the brainchild of Sir Jules Thorn, the diminutive entrepreneur and takeover strategist who rationalised the British lighting industry through a series of mergers.

For many employees, the sale of Thorn House will mark the final break with the era of Sir Jules, already half-forgotten in the management upheavals of the last 18 months.

Engineers vote for indefinite telephone strike

BY CHARLES LEADBEATER, LABOUR STAFF

MORE THAN 110,000 engineers at British Telecom (BT) will start an indefinite strike from Monday, after the company last night refused to agree to the union's demand to reinstate suspended workers, and allow back strikers who have refused to sign pledges to work normally.

BT said it could not accept a position where workers did not give an assurance that they would work normally. The executive of the National Communications Union (NCU) told BT that the strike would go ahead if it did not withdraw its demand of "work pledges."

With the escalation of the dispute it has become more likely that telecommunications services could be badly disrupted in the next week.

All 110,000 engineers belonging to the NCU were either on strike or sent home for refusing to sign pledges to work normally, the union said. Engineers in Scotland and Northern Ireland joined the dispute yesterday.

However BT's ability to maintain emergency and basic services was strengthened by the decision of the 28,000 strong Society of Telecom Executives (STE), which represents middle managers, to accept an improved pay offer and call off a programme of industrial action.

The STE will hold local negotiations with BT to determine what services will be maintained by managers. Managers will not be used to do work normally done by engineers.

The union said it hoped the settlement, which incorporates chances to working practices, would be a precursor to a settlement with the NCU.

But in a significant hardening of its position the NCU also told BT it wanted the 1986 pay offer to be made without being tied to changes in working practices designed to raise productivity.

The dispute began after the collapse of pay and productivity talks two weeks ago. During the negotiations, lasting eight months, the union had accepted in practice the phased pay rise was linked to productivity measures.

BT's final offer to the engineers provided rises on basic rates of pay of 5.02 per cent from July 1986, with bonuses of £75 and £140 from April 1987, which the company said were conditional on the implementation of working practice changes.

The NCU said its call for pay and productivity talks to be conducted separately follows members' expression of deep hostility to the productivity measures. Leaders of the union admit they were suprised by the intensity of feeling.

BT described the union's insistence on separating the two elements as an "amazing volte face". The union, which was financially crippled by the costs of its 1983 campaign against privatisation, will not provide strike pay.

Man who returned £5.8m cheques

Paul Cheeseright profiles Mr Gerald Ronson, whose Heron group was paid to buy up £25m of Guinness shares during the takeover battle for Distillers

MR GERALD RONSON shied away from the public but he was never afraid of publicity. His corporate vehicle, Heron International, with interests in property and motor related services, has been kept carefully in private control but its moves were always followed with attention in the City of London. If there was a bid, then Mr Ronson might be there somewhere.

Comment yesterday on the Ronson letter to Guinness was less than favourable. Ronson? "Go-go whiz kid, always close to the wind." "He's been in so many takeover bids, he should know the rules backwards."

What Mr Ronson and Heron have failed to do is to make any major acquisitions of their own, but in their failures they have made profits. "He always came second with a very nice profit," said one analyst.

Heron tried but failed to secure control of Associated Communications Corporation, built up by Lord Grade, when finally in 1982 Mr Ronson withdrew from a bid battle with Mr Robert Holmes à Court, the Australian entrepreneur. It failed in an attempt to acquire UDS through Bassishaw Investments, a takeover vehicle, when it lost to Hanson Trust in 1983.

Heron, in a joint bid with Cannon of the US, tried to gain control of Thorn EMI Screen Entertainment in 1986 but was foiled. It wanted but could not obtain Burmah Oil. But Mr Ronson swung the Heron shareholding in Debenhams behind Burton at the very last minute when the latter's attempt to gain control of the rival stores group was finely poised.

More recently Heron has acquired 6.1 per cent of Chloride, opening temporary speculation about a bid and, last year, the group was rumoured to be buying into British Land as a prelude to a bid. Certainly Heron is no stranger to the takeover game.

And this is why City analysts have been bemused by a sentence in Mr Ronson's letter to Guinness about his share-buying during the Distillers takeover struggle. "I did not focus," Mr Ronson wrote, "on the legal implications of what had occurred, nor did it cross my mind that City advisers and business people of such eminence would be asking us to join in doing something improper."

Mr Ronson was a millionaire by the time he was 23, starting off in his father's furniture business. Twenty years ago the two of them found they could make money more quickly and in greater quantities out of property. And property is the foundation of Heron's wealth. Property development and cash flow, as he put it himself.

The key early clue to this was in 1966 when the company went into petrol retailing – the development of sites which became more valuable the more they sold, while the more revenue the sites produced the better the cash flow.

By the mid-1970s, Heron was Britain's biggest independent petrol retailer. But the ambitions were always wider. The group now has property in France, Belgium, Switzerland, the US and Spain.

Prime offices are what Heron invests in – towers in Manhattan, for example. Last summer Heron spent £53.4m on a portfolio of more than 200 office buildings in Spain, owned by the Rumasa Group until they expropriated by the Spanish Government in 1983.

But Heron has diversified into motor distribution with Rolls-Royce dealerships and franchises for Suzuki and Lancia. It has branched out into communications through Media Home Entertainment in the video business. And since it acquired National Insurance and Guarantee Corporation in 1977, Heron has been involved in financial services.

Financial services have been the base for Heron's expansion into the US, where the vehicle is Pima Savings and Loan Association, now holding assets of more than $2.2bn. Dollar earnings now contribute nearly half of Heron's earnings.

In the financial year to last March, Heron made pre-tax profits of £40.3m on a turnover which topped £1bn for the first time. Profits, which have gone up for 30 years, are expected to rise in the current financial year.

For the future, if there is any difficulty at home, then there is always the bolt hole of the Netherlands Antilles. The group's overseas assets have been transferred offshore, although Mr Ronson remains a UK tax resident.

Report from nuclear inquiry may re-open debate on systems

BY DAVID FISHLOCK, SCIENCE EDITOR

THE LAYFIELD report on the nuclear inquiry into the Sizewell B reactor in Suffolk, on the east coast of England, to be published by the British Government next Monday, is likely to rekindle the long debate in the country over rival US and British reactor systems.

It is understood that Sir Frank Layfield, inspector for the 26-month public inquiry, has accepted that nuclear power in Britain is safe but has been even-handed in his treatment of rival reactor systems.

Yesterday the Government changed its mind about announcing its nuclear decision simultaneously with publication of the report.

Mr Peter Walker, Energy Secretary, has asked for a parliamentary debate on the report before the Government takes its decision whether to allow the Central Electricity Generating Board to proceed with plans to build the £1.6bn ($2.4bn) Sizewell station. CEGB sees its plans as the lead station for a "small family" of identical stations for completion by the end of the century.

Those plans are based on the US Westinghouse design of pressurised water reactor, extensively modified to meet British nuclear safety requirements, and for this reason called the "British PWR."

The CEGB was authorised to embark on this design, in collaboration with Westinghouse, by the Labour Government in January 1978.

It was then seen as a potential rival to the all-British but troubled advanced gas-cooled reactor, after the Government had abandoned its efforts to launch another British reactor, the steam-generating heavy water reactor.

Nearly a decade on, the CEGB still has serious doubts about the AGR system, believing that over its lifetime its electricity will prove substantially more expensive than from the British PWR.

The present Government, which shares the CEGB's reservations about the economics and longer-term prospects for the AGR, has found difficulty in articulating them.

Consumer spending touches record

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

THE SHOPPING surge drove consumer spending up to record levels in the last three months of 1986, according to provisional figures published by the Central Statistical Office yesterday.

The public spent a seasonally adjusted total of £40.5bn at 1980 prices, up 1 per cent on the third quarter figure of £40.2bn, and about 5 per cent higher than in the last three months of 1985.

Although the rate of growth in spending slowed during the period under review, the rise was strong enough to confirm earlier forecasts that consumer expenditure for the year would increase by about 5 per cent to total £159.5bn.

Growth estimates for the fourth quarter and the year as a whole mainly reflected increased spending in retail outlets, the CSO said.

"Spending on durable goods, including cars (during 1986), is provisionally estimated to have been about 10 per cent above the 1985 level, while spending on other categories... increased by about 4 per cent," it added.

Recent surveys of the retail trade have suggested some slackening in spending rates recently. Unseasonally warm weather in October affected traditional autumn clothing sales. Many chains reported the Christmas shopping rush had started up to two weeks later than usual. Now there is some concern that bad weather earlier this month may have hit the January sales season.

According to the latest study of the distributive trades by the Confederation of British Industry and the Financial Times, retailers enjoyed record sales in December, although business did not match their expectations. As a result, some were left with heavier stocks than they would have liked.

Caterpillar protesters to resume production

BY JIMMY BURNS, LABOUR STAFF

WORKERS occupying the US-owned Caterpillar plant at Uddingston, near Glasgow, are planning to resume production on Monday without the participation of senior management, who continue to be locked out.

The move, decided at a mass meeting attended by a majority of the 1,200 workforce, is aimed at saving the plant in spite of the closure announcement by the company last week.

"This is a token gesture to show the skills and the ability we have within the plant. We are prepared to work for any company that is prepared to keep it open," said Mr Tom Morrison, a senior local official of the engineering union, the AEU.

Production will focus, as it did before the occupation, on the D6H crawler tractor, using the expertise of engineers and plant supervisors who have joined the occupation.

At the same time workers plan to develop a job-swap strategy in which they will train in each other's jobs to demonstrate their flexibility.

Caterpillar yesterday would not comment on reports that the local senior managers will fly to the US early next week for high level meetings with senior executives.

Airline study under way

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE CIVIL Aviation Authority (CAA) is to undertake a review with airlines, airport authorities and air transport users about the way in which it should deal with anti-competitive behaviour by the airlines.

The review has arisen because of an attempt last year by the independent Britannia Airways to place limits on the extent to which the soon-to-be-privatised British Airways could participate in the marketplace.

Britannia did not succeed, but Mr John Moore, the Secretary for Transport, thought that the case raised a number of issues worthy of further consideration.

In particular, these included the adequacy of information available on the airlines' trading practices, costs and pricing policies; the need to establish more precise criteria for determining what anti-competitive behaviour was; and whether existing licensing procedures were adequate to prevent such behaviour.

Commenting on the review, Mr Christopher Tugendhat, CAA chairman, said: "How to define and deal with anti-competitive behaviour is a problem which increasingly faces regulatory authorities all over the world."

APPOINTMENTS

IMI makes group changes

IMI has made the following appointments from February 1. Mr Elfed Lewis, as managing director (designate) of Eley, will succeed Mr R. G. Tennant, who is retiring on February 28. Mr Lewis is also appointed chairman of IMI Components. Mr Kenneth Collie becomes managing director of IMI Components. Mr David Cobourne is appointed a director of IMI Components and general manager of IMI Amal and IMI Reeves.

Mr Steven Hiscox is made a director of IMI Components and general manager of IMI Nuclear Components, and will also be responsible for IMI Kynoch Engineering, with Mr Tom Round continuing as general manager. Mr Richard Vaughan is appointed a director of IMI Components and general manager of IMI Precision Diecastings. Mr Ron Knight becomes a director of IMI Components and will continue as general manager of IMI Mint. Mr Tom Gillard is appointed chairman of Holford Developments Holford Estates, Holford Estates Management Services and Witton Estates Management Services. This is in addition to his principal appointment as finance director of IMI Cornelius Group. Mr Barry Jones is made managing director of the Holford companies and Witton Estates Management Services. Mr Leslie Frith joins the boards of these companies as a director.

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Senior posts at British Shipbuilders

BRITISH SHIPBUILDERS has made the following management changes: Mr A. P. Forrest, director of marketing, has decided to take early retirement and will be succeeded on April 1 by Mr J. F. R. King. Mr King is at present regional marketing director, UK, North Sea and Western Europe. Dr E. P. Cameron, who is on secondment to British Shipbuilders from the Department of Trade and Industry, has been appointed director of corporate affairs. The manager of corporate affairs, Mr K. A. Pottinger, has decided to take early retirement from March 31.

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Mr Keith Gaunt has been appointed managing director of AMALGAMATED METAL TRADING from February 1. He is director corporate finance of the parent company, Amalgamated Metal Corp.

★

Mr David Sheppard will join the board of DORKING CONSTRUCTION as a managing director from February 1.

★

BRITISH AEROSPACE has appointed Mr N. V. Barber as managing director designate of the military aircraft division to succeed Mr F. E. Roe who retires on April 30.

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Mr Peter Foley, currently managing director of River Thames Insurance Co, has been appointed from February 1 as managing director of E. W. PAYNE (NORTH AMERICA). Mr Jim Payne, chairman of E. W. Payne Companies, will be chairman of the new company. Mr John Garner, Mr Frank Hitchman, E. W. Payne's finance director, and Mr Hugh Kirkland, a deputy chairman of E. W. Payne Companies, have also been appointed to the board of E. W. Payne (North America). Mr John Weedon succeeds Mr Foley as managing director of River Thames Insurance Co. Mr Weedon was director of non-marine underwriting. Both companies are in the Sedgwick Group.

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COOPERS (METALS) has appointed Mr Robert Garwood as a director. He is general manager responsible for London and the Home Counties.

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Field Marshal Sir Edwin Bramall has joined WADLOW GROSVENOR INTERNATIONAL.

★

BERGHAUS, Newcastle, Tyne & Wear, has appointed Mr Tony Atkinson as financial director.

★

H.T.E. has appointed Mr Geoffrey Wilkinson as chairman. He was joint managing director of Lucas Industries. Mr Brian Brinkman, until recently technical director of British Telecom's City business products, becomes general manager and Mr Alan Cobb, formerly commercial director of I.T.S., becomes commercial director.

★

AUTOBAR FOOD SERVICES has appointed Mr Pat Prendergast as managing director with responsibility for distribution and operation throughout England and Wales. He was managing director, northern region. Mr George Miller, previously managing director, southern region, becomes managing director of Autobar Beverage Systems, while remaining on the board of Autobar Food Services.

★

LEX ELECTRONICS has appointed Mr Gary Kibblewhite as managing director. He was business development director for European operations.

★

CLAY CLARK WHITEHILL has appointed Mr Ian Purves as a director.

★

Mr Graham Mansfield has joined the board of Godsell & Company (Deposits); and Mr Robin Milne has joined the board of Astley & Pearce (Eurocurrencies). Both are subsidiaries of EXCO INTERNATIONAL.

★

HIGH-POINT RENDEL has made two appointments to the board of High-Point Services Group. They are: Mr Derek E. Perrey, who joins from a leading firm of Arab contractors, and becomes chief executive of High-Point CTMS; and Mr Stephen Russell, chairman of the group's holding company in the US.

Chairman of Dobson Park

Dr Gordon Marshall, deputy chairman and joint managing director of Blue Circle Industries, has been appointed non-executive chairman of DOBSON PARK INDUSTRIES in succession to Mr James J. Francis who retires at the annual meeting on February 12.

★

BARCLAYS BANK'S central retail services division, which includes Barclaycard and the Barclays Travellers Cheque operation, has appointed two senior managers. They are Mr Mervyn Gibson, who becomes assistant general manager responsible for systems development, and Mr Richard Butt, who has been appointed assistant general manager for travel-related activities undertaken by the division.

★

Mr Colin Higgins has been appointed project manager, offshore modifications, in the production and supply division of BRITISH GAS. Previously departmental head for the construction of the Rough gas storage project, he will retain his role as project manager, as well as assuming responsibility for the construction and modification of other offshore installations.

★

Mr Jack Woodhouse has been promoted to divisional chief executive, rolls division, SHEFFIELD FORGEMASTERS. He was managing director of Forgemaster Steels.

★

J. K. SHIPTON AND CO, independent underwriting members' agents at Lloyd's, has appointed Mr Neil Virgo to the partnership.

★

Managing director of British Shoe

Mr David L. Roberts has relinquished his post as managing director of BRITISH SHOE CORPORATION in favour of Mr Christopher Marsland. Mr Marsland is retail director of British Shoe. Mr Roberts will continue as a director of Sears and British Shoe. The change is part of a restructuring programme. Mr Roland Deeming has resigned from the board of Sears from January 31 to pursue private interests.

★

Mr Bill Kirkpatrick has joined CORPORATE ADVISORY PARTNERSHIP as an executive director he was a director with Investors in Industry. Mr Charles Wardle and Mr Peter de Vink have been appointed non-executive directors of the partnership.

★

The BRITISH FIBREBOARD PACKAGING ASSOCIATION has appointed Mr F. J. Sheckleton, of Reed Corrugated Cases, as chairman.

★

SAVACENTRE, a hypermarket development and management company owned jointly by Sainsbury and BhS, has made two appointments to its board. Mr Hamish Elvidge becomes director of finance and systems. He was finance and systems executive. Mr Colin Turner is made director of store operations. He was store operations executive.

★

MARTIN RETAIL GROUP has appointed Mr John Bristow as assistant managing director. He will retain a number of his existing responsibilities, in particular those for group finance and systems. Mr Nigel Joyce, formerly group marketing director, has been appointed marketing development director. Mr Andrew Parry joins the group to become development director, new concepts. Mr Joyce will assume responsibility for identifying new business ideas. Mr Parry, who was previously with Imperial Leisure and Retailing, will be responsible for the development and implementation of these business ideas into new concepts. Martin is a wholly-owned Guinness subsidiary.

★

MANN & CO, a subsidiary of Hambro Countrywide, has promoted three regional directors, Mr Roger Coupe, Mr Peter Shiers and Mr Gordon Walker, to new posts of regional managing directors.

★

ALEXANDER STENHOUSE UK has restructured its UK divisions and has appointed Mr Geoffrey S. Whitehead, divisional director, south and west and Eire; Mr Bill Greig, Scottish divisional director; Mr Roger J. Surman, northern divisional director; Mr Laurence A. Law, central divisional director; Mr Ian S. Croft, divisional director, London—client services and Mr Richard Porter, divisional director, central insurance services.

Restructure at Bunzl

BUNZL has restructured its Filtrona division, which will continue to be led by divisional chairman Mr Jim Williamson, supported by two deputy chairmen. Filtrona Ltd, the cigarette filter company, will be chaired by Mr Brian Ace, the former head of overseas operations, who is now appointed divisional deputy chairman. The electronic instruments business, spearheaded by Filtrona Instrument and Automation (FIAL), will be run by divisional deputy chairman Mr Nick Lanigan. Bunzl Industrial Ltd new board is: Mr Peter Gell, chairman; Mr George Chapman, managing director graphic arts and minerals; Mr Alasdair Gardiner, managing director flexible packaging; Mr Bob Stephenson, managing director consumer plastics; Mr David Webster, managing director speciality paper; Mr Paul Twigden, finance and planning director; and Mr Roger Alderton, personnel director; assisted by Mr Keith Barbek, company secretary.

★

Mr John Smith is to join the board of SPRING RAM CORP full time. He has been managing director of Spring Bathrooms since its inception in 1979, where he is succeeded by Mr David Riley, who was previously managing director of PJR Group, a Lonrho subsidiary. Mr Stephen Walters becomes production director of Spring Bathrooms, and Mr Newton Winfield is promoted to operations director. At Ram Bathrooms Mr Steven Brown is appointed managing director. He has been financial and operations director of the group's bathroom operation. Mr David Wilkinson becomes operation director, Mr Peter Brittain sales and marketing director, and Mr Tom Sykes financial director. He was a financial director in the Readicut Group. Mr Ron Farr has been promoted to managing director of ASTRACAST. He was production director of Spring Bathrooms.

★

Mr Peter Down has been appointed executive director for syndication at LTCB INTERNATIONAL. He was executive director and syndicate manager at Bank of America International. Mr Keith Phair has been appointed head of Eurobond syndication at BANK OF AMERICA INTERNATIONAL in his place.

★

ADDIS has appointed five executive directors. Ms Christine O'Neill becomes marketing director for the housewares division. She was marketing manager. Mr David Day becomes commercial director for Addis from sales and marketing manager for the commercial division. Mr Ian Thompson has been appointed management services director from management services manager. Mr Richard Jenkins is made design director from design manager. Mr John Davey has been appointed sales director for the health and beauty division, from national accounts sales manager.

★

Mr Ken Boyde has been appointed a director of LEE INTERNATIONAL. He is chief executive of Lee Colortran Inc, a manufacturing subsidiary of Lee, based in Los Angeles, US. Mr Boyde will assume overall responsibility for worldwide marketing and sales of products manufactured within the group. Mr Howard Tilley, former associate director of Thorn EMI photographic division, has been appointed marketing director of Lee Colortran.

THE NEILL REPORT on LLOYD'S

Standards of regulatory protection still not achieved

REPORTS BY NICK BUNKER

COMPOSITION OF THE COUNCIL	
Now	As recommended
16 working members	12 working members
8 external members	8 external members
4 nominated members (including the chief executive)	8 nominated members (including the chief executive)
28	28

LLOYD'S of London, the 300-year-old insurance market, is a "prime example of self-regulation in action," according to the report of the committee of inquiry chaired by Sir Patrick Neill, QC.

Since 1982, when a series of scandals came to light in the market, it has acted with "energy and determination" to punish wrongdoers and remove regulatory inadequacies.

"We know of no profession or equivalent organisation that has accomplished such a major programme of reform in such a short time-scale," Neill says.

Nevertheless, it concludes that Lloyd's has still not achieved standards of regulatory protection for its members comparable to the standards laid down in the Financial Services Act.

"The checks and balances at Lloyd's are not, in our view, so firmly in place."

Fundamentally, the balance of initiative in the regulation of Lloyd's still lies too much in the hands of market professionals, specifically the so-called "working members" of the Council of Lloyd's.

It recommends reform in the structure of the council—Lloyd's governing body—to end their dominance, by putting them in a minority of 12 on a 28-member council.

Sir Patrick Neill's report follows a year of work since Mr Leon Brittan, then Trade and Industry Secretary, announced he was establishing the inquiry. Its terms of reference were to determine whether the regulatory arrangements being installed at Lloyd's under the 1982 Lloyd's Act provided protection for investors—in this case the 30,000 underwriting members, or "Lloyd's names" — comparable to that proposed under the Financial Services Act.

Mr Brittan's announcement followed parliamentary concern over three things. First, the PCW, Howden and Fidentia scandals of late 1982, which involved huge misappropriations of Lloyd's names funds by market professionals. Second, the resignation in 1985 of Mr Ian Hay Davison, Lloyd's chief executive, and the man most closely identified with the post-1982 reform programme. Third, the Government's deliberate exclusion of Lloyd's from the investor protection regime set up by the Financial Services Act.

Sir Patrick, vice-chancellor of Oxford University, chaired the committee of inquiry. The other members were Mr Denis Allport, former chairman and chief executive of Metal Box, the manufacturing company, and Mr Brian Pomeroy, a partner in Touche Ross, the accountancy firm. They have produced 70 recommendations, after sitting for 41 days in all to examine written and oral evidence from 274 individuals and organisations.

The report cites three specific shortcomings "which make it impossible for us to have total confidence in the existing structure" of the constitution of Lloyd's.

First, Lloyd's failed to honour a parliamentary undertaking to introduce by July 1984 a register of the charges which underwriting agents at Lloyd's levy on the ordinary members of the market who provide its working capital.

Second, there was "inadequate representation of the interests of members" in the creation of a new standard agency agreement governing their relationship with underwriting agents, the 240 or so bodies which run Lloyd's syndicates and act as agents for names.

Third, Lloyd's was defective in its approach taken to the problem of "parallel syndicates" — an aspect of market structure which can lead to abuses — both in the time taken, and in the effectiveness of measures introduced.

The central problem lies in the council's constitution, Neill says. Its 28 members supervise the market's affairs, under powers contained in the 1982 Lloyd's Act and subsequent byelaws.

"There is a need for greater independent oversight," the report says. "The constitution does not currently provide for the degree of involvement of independent outsiders and that degree of detached scrutiny that will be a feature of the regime of the Financial Services Act."

The report rules out one possible remedy: a new form of external supervision, either from the Securities and Investments Board, or from the Department of Trade and Industry. The fundamental problem, Neill says, is that as an insurance market Lloyd's faces two ways—it must protect policyholders and its own members.

"The existence of an insurance market has led to the development of an elaborate set of controls designed to protect the interests of policy-holders. There would therefore be a major complication involved in framing the responsibilities and powers of any new external supervisor.

"There would inevitably be circumstances in which these controls could conflict with the interests of Lloyd's names."

At present, such conflicts are resolved "whether at the level of principle or practice" by the Council of Lloyd's. Neill rules out setting up an external supervisor, plus an appeals body to deal with disputes between it and Lloyd's. Instead, Neill opts for "improved internal supervision" of Lloyd's via a reform of the council.

Neill says the number of working members of the council should be reduced from 16 to 12, placing them in a minority. The number of external members who are Lloyd's names elected to the council should remain static at eight. But the number of nominated members, appointed with the Bank of England's approval, should be doubled from four to eight.

Further, Lloyd's should "institutionalise the arrangement" whereby the chairman of the Securities and Investments Board, the City of London's new watchdog, is a nominated member. It should keep under review the remuneration paid to nominated members, currently £8,000.

The nominated members of the council should also make an annual report to Lloyd's names on the progress of regulation there. A nominated member should chair the market's rules committee.

Regulatory Arrangements at Lloyd's; Report of the Committee of Inquiry; HMSO; £8.10.

A GUIDE TO THE LANGUAGE OF LLOYD'S

IN ITS 300-year history, Lloyd's of London has gradually created a language of its own, which draws subtle distinctions which need some explanation to outsiders.

An Active Underwriter is a market professional, working in the Lime Street underwriting room, who accepts insurance business on behalf of a Lloyd's syndicate.

An agent—sometimes known as an underwriting agent—acts on behalf of underwriting members of Lloyd's. There are two types of agent: first, managing agents, which manage one or more Lloyd's syndicates, and appoint active underwriters. Second, members' agents, who manage a members' affairs in all ways other than the actual management of underwriting.

There are three broad types of members' agent: independent members' agents, members' agents associated with Lloyd's brokers and combined agents, who act as managing and members' agents.

The Council of Lloyd's is the 28-person body set up under the 1982 Act to have overall responsibility over the market's affairs. Sixteen of its members are market professionals, and they make up the Committee of Lloyd's, with delegated powers to deal with routine matters.

The Corporation of Lloyd's is the market's central secretariat. It provides premises and central administrative services such as the preparation of insurance policies. It does not itself do insurance business.

Lloyd's names — otherwise known as underwriting members—are the people who put up the capital backing for insurance underwriting at Lloyd's. In 1986 there were 5,397 working names (people who work full-time in the market) and 23,547 external names, who are outsiders.

For underwriting purposes, they are grouped into about 400 syndicates, which accept risks and assume liability on behalf of individual names.

Relations of names and their agents should be better defined

SOME 3,085 people were elected as new member of Lloyd's in 1985. The Neill report asks how well-informed they were about the decision to join. It focuses on their relationship to their members' agent — the company or person which offers to see them through the entry process, manage their affairs and defend their interest.

The report asks whether the agents had paid due regard to their personal circumstances when advising them to do so. It also asks if the names knew all they needed to know about the syndicates on which they were placed.

It tries to apply to Lloyd's the principles of disclosure to investors laid down in schedule eight of the Financial Services Act. The Neill report then goes on to examine the agency agreements which names sign with their agents, comparing them closely with the "client agreement letters" which the SIB insists investment businesses must sign with their customers.

Neill is deeply critical of the current Lloyd's standard agency agreement, introduced under a 1985 Lloyd's bye-law for adoption on January 1, 1987.

The agreement constitutes a contract between the name and his agent, with the name delegating all control over his underwriting business to the agent. The name also undertakes to pay all the liabilities the agent may incur through handling his affairs.

The report says "Our overall impression is that it is a document written from the standpoint of an agent endeavouring to ensure the smooth running of his business and with too little regard for his names."

The report's criticism of the *standard underwriting agency* agreement rest fundamentally on a conclusion that "the original process of formulating the agreement did not focus adequately on the interests of the names."

The agreement gives the widest authority to the agent, contains many references to his "sole" or "absolute discretion." It shows "one-side drafting", the report says.

Neill also criticises the way in which Lloyd's dragged its heels over the introduction of a new register to give names some idea of what different agents charged in commissions and expenses for managing their affairs.

To enhance competition between agents—and to give names more freedom of choice—Neill also recommends that it abolish the "one agent/one class rule," whereby names are allowed only one member's agent for each of the four main classes of Lloyd's insurance business (marine, non-marine, motor and aviation).

Regarding the recruitment process, the report says that the SIB's draft conduct of business rules are required to decree the disclosure of commissions which an investment business pays to an intermediary (such as life assurance broker) for introducing a new client. Neill says that the 1984 Lloyd's membership bye-law requires members of Lloyd's to disclose the fact if they receive any commissions or fees for recruiting a new member.

"Two questions seem relevant," Neill says. "The first is whether existing disclosure requirements bring to light all payments of commissions or other inducements. The second is whether *disclosure* is a sufficient regulatory control.

The report says the answer to the first question is probably "no." The inquiry team was told that some professional people, such as accountants and solicitors, seeks out potential members of Lloyd's. The report says the bye-law should be amended to ensure that commissions paid to such people are also disclosed to names and to Lloyd's.

Second, Lloyd's should carry out an investigation into whether all commission payments for introducing new members should be banned. "Our own inclination is to think that the practice should be outlawed," Neill says.

Neill also criticises information currently available from Lloyd's about a prospective name's choice of his members' agent. Lloyd's should produce a further booklet about members' agents, giving "brief details of their ownership, their charges and the syndicates to which they have access or which they run."

Charges should be put in a form which enables names to make comparisons between agents. Names should also be able to obtain comparative information about the overall underwriting results achieved by each members' agents. The report suggests that agents should be obliged to submit to Lloyd's for entry in a central register an analysis of their aggregated underwriting, on a standardised basis.

Neill also recommends that Lloyd's produce a code of practice, backed up by mandatory rules, to enforce "know your client" principles requiring that agents should take proper cognisance of the personal and financial circumstances of names before advising them.

The report makes altogether eight detailed recommendations on ways to improve the recruitment process. "*If they are* followed up, Lloyd's will have a properly regulated recruitment process containing safeguards at least comparable with this envisaged elsewhere in the financial services sector.

The committee of inquiry into regulatory arrangements at Lloyd's, from left, Mr Brian Pomeroy, Sir Patrick Neill and Mr Dennis Allport

Stiffer professional tests urged

MORE SEVERE examinations should be brought in to test the professional competence of active underwriters in the Room at Lloyd's, Neill says.

"We are in favour of mandatory examinations. We find the arguments against them unconvincing," it goes on.

This recommendation forms part of the report's discussion of the registration of Lloyd's underwriting agents. Under a 1984 Lloyd's bye-law, all Lloyd's underwriting agents have to undergo a registration process by July 22 1987 if they are to continue to do business at Lloyd's. *This allows* Lloyd's to apply tests of their honesty, competence, financial adequacy and compliance with market rules.

Under the UK's new investor protection regime, an "essential *safeguard*" for investors will be the need for all investment business to undergo a "fit and proper" test, in order to be authorised by the SIB, or by an SRO, Neill says.

Lloyd's criteria and procedures for the registration of underwriting agents are "broadly comparable" with those expected to be applied under the act in judging an investment business's soundness, Neill says.

But it outlines a number of improvements — including *tougher examinations for underwriters*—that could be made.

In particular, they needed to be thoroughly familiar with Lloyd's own substantial internal legislation and the law of agency, which, Neill constantly *stresses, is essential to the* proper conduct of business.

"We recommend that within a reasonably short time-scale (say, within five years) examinations should be instituted which all those intending to *become active underwriters* would be required to pass."

"We have in mind a far more rigorous examination than anything so far devised by Lloyd's and one closer to scope and depth to those of the *professional bodies*."

Also, Neill recommends that the Council of Lloyd's—rather than the committee, composed entirely of working names—should take charge of the registration process. The Neill report says the inquiry team agreed that registration should be the responsibility of working members but felt that "there will always be the potential for the suspicion of partiality."

A special committee of the council, including one nominated member, should there*fore take over the supervision* of registration.

Lloyd's should consider changing its present rules for judging agent's capital adequacy, to bring them in line with SIB's rules in three respects—by, for instance, insisting that firms maintain *their required level of financial* resources at all times, not just at reporting dates.

Neill says it is also concerned about the domination of auditing of Lloyd's syndicates by a small number of accountancy firms. The current Lloyd's list of recognised auditors consisted *of 19 firms, but in 1985* four firms accounted for 75 per cent of audits.

"If at the end of five years (that is, by the end of 1991) there is no marked shift in the distribution of work among the recognised firms, we recommend that Lloyd's should consider the suggestion made in the Fisher report that there should be a limit on the number of syndicates which may be audited by any one firm."

Urgent reform needed in machinery to deal with disputes

LLOYD'S is clearly lacking *machinery for* resolving disputes between underwriting members and the market's central corporation, the Neill report says.

"*It is essential to introduce* a reform in this area," it says. This is especially urgent because under the 1982 Lloyd's Act, Lloyd's enjoys immunity from legal action similar to that granted to the SIB and the SROs under the *Financial Services* Act, Neill argues.

Lloyd's also fails to measure up to the investor protection regime proposed by the SIB, in so far as Lloyd's has no formal mechanisms for resolving conflicts between *names and* their agents.

Further, Lloyd's lacks any arrangements for compensating *names for* losses for which their agents could be held liable in law. This means that it again falls short of the SIB's proposals, because the SIB is planning an industry-wide compensation scheme to help investors who *have suffered* because of the insolvency (or *any other* inability to meet claims) of an investment business.

"We consider that names should have at least the same degree of protection as will be available to investors in general under the SIB's compens*ation* scheme," Neill says. The *Council of Lloyd's must* ensure that this is so, the report *recommends.*

Neill recommends the creation of two new institutions at Lloyd's. First, a Lloyd's ombudsman, to inquire into complaints against the corporation. Second, a new Name's *Interests Committee, to supervise* a new process of binding arbitration between names and their agents.

At present, Neill says, the only relevant body at Lloyd's is the Names Advisory Committee. *Set up in February 1985, it consists* of three external members *of the council.* It considers questions or complaints from names about members' or *managing agents.* If, however, it seems likely that a dispute between the name and the corporation is involved, the committee *refers* it to the corporation's relevant department, and informs the name.

"The powers of the Names Advisory Committee are very *limited," Neill says. "Its terms* of reference and procedure fall a long way short of the system envisaged by the SIB."

Neill's new ombudsman would be an independent person, with the duty of investigating complaints against the corporation.

First, he would be appointed *by the council*, but to ensure total independence the nominated members of the council should put forward the name of the candidates.

Second, names would be entitled to approach the ombuds*man directly." Third, he would* be empowered to make recom*mendations on individual com*plaints, and "Lloyd's would be expected to act on them." He would also draw its attention to general points raised by his investigations. Fourth, he would make an annual report on his work, *including general conclusions.*

The other new institution would be the Names' Interests Committee. Chaired by a nominated member of the council, *it* would consist of at least one other nominated member, two external members and one working member of the council.

The Names' Interests Committee could take charge of dealing with cases where names had a complaint against an agent, *but made no money* claim, Neill says. Neill recommends *three other roles* for the committee.

First, *it* should make regular review of investor protection developments elsewhere in the financial services field, and *if* appropriate bring proposals for change to *the council. Third, it* should make an annual report to the council.

Regarding a compensation fund, Neill says that the only present rules are that underwriting agents must have "errors and *omissions*" (e&o) insurance cover against liability for negligence, breach of trust and so on.

Lloyd's also has its central fund, whose resources were used in 1979 to assist names faced with abnormal losses over the so-called "Sasse affair." Again, £237.5m *from the central* fund's total of £265m was used last year to help PCW names meet the solvency test.

However, Neill says, the fund's primary purpose "has always been to ensure that valid claims of policy holders are paid."

"Some witnesses have submitted that Lloyd's should establish a formal compensa*tion scheme," Neill says. They* argued that the forthcoming PCW settlement would involve some market rescue.

"Our impression is that thoughts on this subject have been clouded by the existence *of a freak case on the horizon,"* Neill says, apparently alluding to the PCW affair.

"We doubt whether it is feasible to establish in advance formal arrangements on a scale adequate to cope with the extraordinary *losses* experienced in recent years."

It would be imprudent for Lloyd's to allow the central fund to become a normal avenue of recourse to names, because that would damage external perceptions of the security underlying Lloyd's policies.

Lloyd's would have to wait to *see the final form* of the SIB's compensation scheme, and make a detailed comparison to determine whether its e&o insurance requirement gaves comparable protection. The "technical merits of particular solutions" were a matter for the council to consider.

A SUMMARY OF NEILL'S MAIN RECOMMENDATIONS

- **Compositon of Council of Lloyd's should be changed so that market practitioners no longer have a majority. The number of nominated members—appointed with the approval of Bank of England—should be doubled. Nominated members should have bigger role in the work of the council's committees. Number of external members of council should remain eight (they are elected by non-working members of Lloyd's).**
- **Recruitment: More information and advice should be given to prospective members of Lloyd's about membership in general and about performance of particular underwriting agents.**
- **Greater choice: Members of Lloyd's should have more freedom to choose between agents and syndicates. The "one agent—one class of business" rule should be abolished.**
- **Complaints and disputes: An ombudsman should be appointed to deal with names' complaints against Corporation. Lloyd's should have a new streamlined arbitration procedure for names' complaints against agents.**
- **Compensation: Council must ensure that arrangements for compensating names for losses arising outside normal risks of underwriting should be equivalent to those of Securities and Investments Board.**
- **Divorce. Neill does not advocate enforced separation of members from managing agents.**
- **Fit and proper test: Lloyd's procedure for vetting fitness of underwriting agents should be comparable with those under Financial Services Act.**
- **Discipline: Neill sees no reason to doubt integrity and effectiveness of Lloyd's disciplinary measures. Lloyd's has co-operated fully with Director of Public Prosecutions.**

Parallel syndicates worst of market's conflicts of interest

NEILL identifies four areas where in the past, features of the Lloyd's market have produced possible conflicts of interest that could damage names.

The report's toughest recommendation is for a ban on so-called "parallel syndicates, sometimes referred to as "preferred underwriting"—an "evident abuse," according to Neill.

Parallel syndicates arise when a managing agent owns two or more syndicates in the same class of business, or where an active underwriter writes insurance business for two or more syndicates.

This may lead to abuse if the active underwriter "prefers" one syndicate over another — whether by giving it the best, most profitable business, or in the way he allocates expenses.

One widely known type of parallel syndicate was the so-called "baby syndicate," which consisted of a small group of names (perhaps including the active underwriter) who received the best of the business he was brought by brokers.

"Parallel syndicates have been operated in the Lloyd's market for a very long time," Neill says. In 1978 about 52 per cent of syndicates were running in parallel; but the possible abuses were not drawn to the attention of the Fisher inquiry.

After the 1982 Lloyd's Act, however, Lloyd's set up the Higgins working party. In September 1983 it recommended that preferred underwriting should be banned immediately, and parallel syndicates banned from a future date. But in 1986 111 syndicates (30 per cent of the total) were operating in parallel.

The Higgins report led to the presentation to the council in December 1985 of a multiple syndicate code of practice, which became the Multiple Syndicates Bye-law, with a limited target of outlawing baby syndicates.

This dealt, however, with preferred underwriting involving only very small syndicates, Neill says. The real question, Neill argues, is whether a further multiple syndicates code of practice, introduced in December 1985, was a sufficient regulatory control.

"The code of practice leaves a good deal more discretion to agents and underwriters than the Higgins report had in mind," Neill says. The report calls for a specific bye-law.

"It should set a date (no more than two years ahead) after which no parallel syndicate should be permitted to continue in operation without the consent of the council," it says.

Apart from parallel syndicates, the other three areas of conflict of interest are the ownership of managing agents by brokers, the ownership of members agents by managing agents or brokers, and so-called "related party transactions."

The first of these was dealt with under the 1982 Act by the *requirement that brokers should* sell their interests in syndicates within five years, Neill says.

Neill says that the ownership of members' agents by managing agents could lead to Names receiving biased advice. "The argument is that a combined members'/managing agent is unlikely to offer unbiased guidance to a name about which syndicates to join. Lack of objectivity, *it is said, is an* inevitable consequence of the wish to give priority to filling the capacity of the combined agents' own syndicates."

Neill says the arguments for so-called "divorce" — meaning the compulsory severing of ties between the two types of agency —are in principle attractive. "It is clear that there is a potential conflict of interest."

But it was "satisfied that Lloyd's can regulate the potential conflict of interest by other measures." Those measures could not take the form of "a Chinese wall" between the two agencies, and rules out "polarisation" rules of the type the SIB has proposed for the marketing of life assurance and unit trusts.

Chinese walls would actually hinder the flow of information about market performance which Names need. Polarisation had been devised to fit a mass market.

Neill stresses, however, that there should be "full disclosure by agents." Names should be given a statement of their agent's policy including "a full appraisal of any factors, such as their status as combined agents and the priority they attach to filling their syndicates, which might affect the objectivity of the advice they give about syndicate membership."

In rejecting divorce, the Neill report says it was persuaded by "practical arguments" that mandatory divorce would be inappropriate to Lloyd's and could have damaging consequences if imposed on an unwilling market.

These arguments said divorce —which would need "a degree of rationalisation" among members' agents—would have "damaging consequences" if imposed on an unwilling market.

"These consequences can be grouped under four headings: the removal of names' ability to choose between the different types of agent; the inability of managing agents to obtain capacity directly; the impact on Lloyd's of the consequential need to impose broker divorce; and the disruption in the market if divorce were now to follow the upheaval of divestment."

For instance, some names preferred to use a combined members'/managing agency, because the members' agent was better informed about relative performance of syndicates if he was involved in managing them.

Related party transactions arose, for example, where active underwriters or syndicate managers paid over syndicate funds as reinsurance premiums into offshore reinsurance companies which they themselves controlled.

Current Lloyd's rules for preventing such abuses are contained in the Related Parties Bye-law (3 of 1986), Neill says. Neill said it was "not inclined to be critical" of the time taken to promulgate the final bye-law, in view of "the complex set of issues that required careful consideration."

"It seems to us that the prohibitions in Byelaw 3 of 1986 go a very long way towards ensuring that past abuses are not repeated," Neill says. "Moreover, Lloyd's still have this area under close scrutiny."

No serious deficiencies in disciplinary proceedings

THERE are "no serious deficiencies" in Lloyd's of *London's procedures for investigations and disciplinary proceedings arising from alleged misconduct in the market*, Neill says.

But in the report recommends two measures aimed at increasing independent oversight of its investigative process.

Neill stresses that there is "no reason to doubt" the honesty of the Council of Lloyd's Investigations Committee, the key body which decides whether or not Lloyd's starts disciplinary proceedings *against a member of the market.*

The Neill report acknowledges, however, that the question of the Investigations Committee's integrity has been an area of "sensitivity" in the recent history of Lloyd's. In particular, the Neill report says that witnesses raised doubts about the impartiality of the investigative process, based on their fears about the undue influence on it of working members of the council.

The report recommends that one of the council's nominated members *must chair its investigations committee.*

Second, the balance of the committee's membership should be changed "with nominated and external members forming a majority."

Regarding the Disciplinary Committees—which conduct *disciplinary proceedings* once the council has given the go-ahead—the report recommends that their chairman should always be a nominated member of the council.

It says that certain procedures governing rules of evidence in the proceedings should be clarified (by amendment to bye-laws). Lloyd's might also adopt a recommendation of the government-appointed Roskill *report on trials for fraud*, by allowing the admissibility of written statements from witnesses unable to attend hearings.

Schedule two of the Financial Services Act says that a self-regulatory organisation must have adequate *arrangements for effective monitoring and enforcement of compliance* with its rules.

The report pinpoints improvements Lloyd's can and should make in the interests of names. First, it should ensure that the audits of members' agents extend to cover the handling of profits and losses in transit to and from names.

The report points out the SIB's draft client money rules, published in May and December last year, are intended to ensure safeguards for protecting an *investor's funds from* unauthorised use by an investment business. Lloyd's, it says, should use its new General Review Department — established last autumn with powers to make spot checks on market practitioners — to inspect the handling of funds held by managing and members' agents.

Secondly, Lloyd's should pass a bye-law imposing on members of the market a duty to report evidence of misconduct by another member. The report contrasts Lloyd's with the Stock Exchange, which has made it a disciplinary offence to fail to take reasonable steps to prevent misconduct. "Lloyd's have put to us that such an offence is usually thought repugnant in English law. We believe that members of a self-regulatory organisation such as Lloyd's have a responsibility to police themselves."

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Henley Group

'Junk with a lot of potential'

Michael Dingman, busily reshuffling America's corporate assets, heads a loss-making conglomerate with a strong stock market following. William Hall reports

ANYONE stumbling on the Henley group for the first time could be forgiven for rubbing their eyes in disbelief. Here is a company which scarcely existed a year ago, probably lost $300m in 1986 and has no intention of paying a regular dividend. Yet when it came to the US stock market last spring, US and foreign investors fell over themselves to buy shares in what is still the biggest initial stock market flotation in the history of Wall Street.

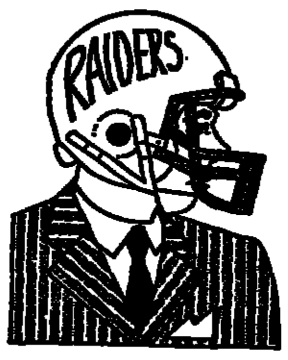
Henley, named by its chairman and chief executive after the English town famous for its regattas because he is a rowing enthusiast, consists of a hotchpotch of 35 companies, employing more than 20,000 and doing everything from turning garbage into energy to manufacturing aircraft evacuation slides. One analyst describes it as "a pile of junk with a lot of potential"; another says it is made up of companies which its previous owner—Allied Signal—"did not want and could not sell."

While its businesses are far from glamorous, the same cannot be said of its stock market debut. The company had initially hoped to raise $200m, raised six times that figure and says it could have raised $3bn. Not content with the proceeds of its record public offering, almost all of which is sitting in the bank unused, Henley has recently arranged a $3bn credit facility for purposes as yet unknown. It would seem as if the affable 55-year-old Michael Dingman, Henley's chief executive, has the Midas touch.

Dingman is a shining example of the new breed of financial entrepreneurs who are busily reshuffling the assets of corporate America. However, Dingman is not a corporate raider in the mould of other financiers prowling the heartland of US industry, such as T. Boone Pickens, Carl Icahn and Sir James Goldsmith. He has never mounted a hostile takeover bid in his 15-plus years of buying and selling companies on Wall Street and claims he has no intention of starting now. However, his style of exploiting his assets bears a striking similarity and he shares the raiders' criticisms of many of the weaknesses of management styles of big business.

Henley attracted a stockmarket following which would be the envy of any corporate raider, yet it escapes the opprobrium and congressional scrutiny which often follows in the wake of a successful predator. The big question is whether Dingman and his team can create value where little apparently existed before.

Henley's game is asset enhancement and Dingman's role models are successful investors like Henry Singleton, 70-year-old boss of Teledyne, Larry Tisch, 63-year-old chairman of Loews Corporation, and Warren Buffett, 56-year-old chairman of Berkshire Hathaway.



All three are regarded as canny investors who have done well for their shareholders over the years by running their companies along the lines of an investment portfolio.

While Dingman and his lieutenants are probably going to make themselves rich, they believe the formation of Henley is good for the US economy and is symptomatic of the "historic re-ordering of American business institutions," which they argue is long overdue.

The spate of dividing, downsizing and revitalising large corporations, to make them more productive and responsive, will accelerate, says Dingman. "This activity is no mere shuffling of assets but a sweeping re-establishment of corporate priorities, objectives and strategies. Although the process is painful, it will yield social and economic benefits that significantly outweigh its costs.

"What is frequently overlooked in studying the decline of once proud industrial giants is the dead hand of their corporate staffs, which stubbornly resist change. As businessmen, we shower blame on government bureaucracies, but we tolerate bureaucrats in our own ranks," says Dingman, who believes fervently that the wave of mergers, takeovers and corporate restructurings is imperative if the US is not to face "slow death at the hands of our foreign competitors."

Dingman has attracted a loyal following on Wall Street, where he started out more than 30 years ago. "Mike Dingman makes money for his shareholders. He is a proven, successful commodity," says Thomas Burns, a Goldman Sachs analyst who has followed Dingman's progress for more than a decade. It is a sentiment echoed by analysts at other leading brokerage houses, such as Merrill Lynch and Smith Barney.

Dingman joined Burnham & Company, forerunner of Drexel Burnham Lambert, at the same time as Michael Milken, creator of the "junk bond" market, and rose to be a general partner in corporate finance before branching out on his own in 1969. He invested $500,000 in Equity Corporation, a small and troubled investment company which owned some two dozen companies and had assets of about $100m.

Most of the companies were sold and the business was stripped down to Wheelabrator, which made machinery for cleaning metals, and Frye, which served the graphics market. The name was changed to Wheelabrator-Frye, Dingman earned a reputation as a prolific deal-maker and his company came to be regarded as a Wall Street growth stock. It also won attention as one of the few companies to issue a version of its annual report which made sense to children—an innovation Dingman expects to continue at Henley.

In 1983 Wheelabrator-Frye, which by then had annual sales of $1.5bn and more than 20,000 employees, was bought by the Signal companies and Dingman became president. Two years later Signal was acquired by Allied Corporation and Dingman moved into the number two spot and was promised the top job at Allied-Signal, one of America's biggest and most successful companies, when Ed Hennessy retired as chief executive in 1991.

However, this was not a sufficient lure and when Allied decided to spin off most of its non-core operations in one move to spare the company the costs in management time, operational disruptions and personnel unrest that could result from piecemeal divestitures, Dingman leapt at the opportunity to run his own business once again.

There have been reports that there was friction between Hennessy and his heir apparent, which both men have denied. Hennessy praises Dingman as a man with "a long record of success in restructuring asset-oriented businesses and making them grow." However, Dingman admits he is not particularly well suited to working in a large, structured industrial corporation, like Allied-Signal. "Everybody has his own way of ploughing his garden and my way is different from Ed Hennessy's."

Dingman sees his job as creating value for his shareholders, rather than showing concern for building the company. He plans to enhance the value of Henley's shares by stock dividends and special distributions of equity in Henley businesses. "We believe Henley stockholders stand to gain more from a flexible dividend policy designed to maximise value than from regular cash dividends."

In this respect the Henley group is no different from Warren Buffett's Berkshire Hathaway group or Henry Singleton's Teledyne group. Neither pays regular cash dividends, yet shareholders have done well out of their investment over the years.

In its most recent quarter, the Henley group announced a net loss of $30m, compared with $9m a year ago, and says it expects to continue reporting losses for the forseeable future. However, Dingman says: "It is not meaningful to measure our progress in terms of a conventional income statement." Analysts should focus on Henley's progress in enhancing the value of its assets, he says.

The company's two main strengths are its financial resources and its "extremely good operating management," says Dingman. Several of his most trusted lieutenants, such as Paul Montrone, Marc Stern, Harold Eastman and David Summers, who have been with him since the Wheelabrator-Frye era, have followed him to the Henley group, which has set up headquarters in La Jolla, one of the wealthiest and most fashionable communities in California.

"We are not intimidated by any company that may be sick or lethargic," says Dingman. He underlines his financial muscle by pointing out that his company controls "probably the largest pool of uncommitted capital in America." Henley actively manages $7bn of consolidated and unconsolidated assets. It has $3.8bn of shareholders' funds, $1.1bn of cash and equivalents and a mere $122m of debt.

The first six months since the company went public were spent streamlining the group's operations into three main businesses. Wheelabrator Technologies, which has more than $1bn in annual sales, takes in engineering and construction operations, including M. W. Kellogg and Rust International. General Chemical Corporation has sales of about $500m and Fisher Scientific has sales of nearly $1bn a year.

Of the three, Fisher Scientific has the most potential and gives the best clue as to how Henley plans to manage its assets. Fisher probably did no more than break even this year, but Henley is busily transforming it into a company with long-term growth potential. Henley acquired a significant position in Barrett Laboratories, a designer of electronic information management systems for clinical laboratories, and bought Imed Corporation, which manufactures devices to control the flow of intravenous solutions for hospital patients. It injected these interests into its Fisher businesses and plans to distribute to Henley shareholders a special dividend of 20 per cent of the common stock of Fisher on the basis of one Fisher share for every 20 Henley shares.

Fisher has a worldwide staff of 7,000, including a direct sales force of more than 800 and, according to Henley, serves three rapidly changing growth markets—research, diagnostics and hospital intensive care units. "Combining Fisher's businesses into a separate company is designed to enable it to achieve appropriate market recognition of its performance," says Dingman. The distribution is intended to increase the long-term value of Henley shareholders' investment—the hope is that Wall Street will accord Fisher Scientific the sort of glamour rating attached to healthcare stocks like Merck and Johnson & Johnson.

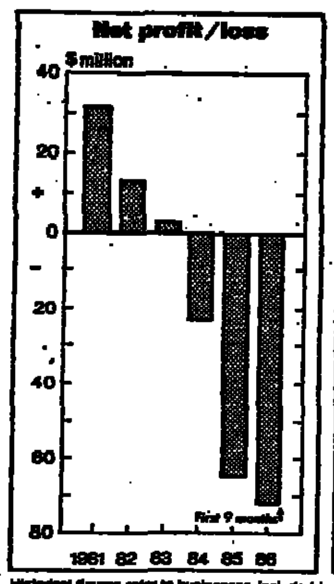
"This company will be like a trading company," says Dingman. "We are going to do everything to maximise value to our shareholders." A key ingredient in his strategy is the equity purchase programme, which will enable Henley managers to take substantial equity stakes in their company with the help of loans from the company.

Dingman says the plan, approved by shareholders, is unlike any other in US public companies. It is designed to enable Henley's operating and corporate management to share the risks and rewards of equity ownership on the same basis as other Henley stockholders. The aim is to provide an impetus to entrepreneurial activity that will benefit the company and its stockholders. The managers are investing $10.7m, most of which will be borrowed from banks, to buy 5m shares in Henley for $107.8m. The $91.1m balance of the purchase price will be put up by the company in the form of non-recourse loans carrying a 6.53 per cent rate of interest.

The plan has come under fire from some shareholders who have christened it a "$100m gift of corporate assets to enrich insiders." However, Dingman disagrees and says that it is a highly effective way of linking the interests of investors with Henley management.

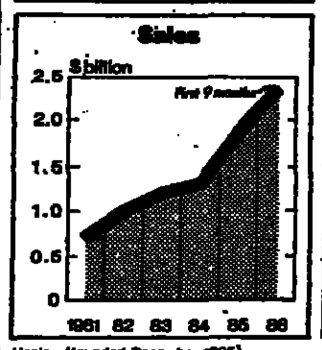
"It is designed to permit managers—by investing their funds and borrowed money—to acquire sufficient ownership of Henley and subsidiary companies' shares so their potential benefits are comparable to those found in the equity programmes of leveraged buyouts."

Today's article concludes this series. Previous articles appeared on 13, 14, 15, 19 and 21 January.



Henley's main businesses

Companies	1986 nine months sales ($million)
Wheelabrator Technologies	924
Fisher Scientific	578
General Chemical Corporation	334
Manufacturing Group	491



Historical figures refer to businesses included in Henley (founded December 1985) but previously owned by Allied and Signal Corporations

Michael Dingman: has never mounted a hostile takeover bid and does not intend to start now

Business courses

Mintel conference 1987: Consumer lifestyles — evolution or revolution?, London. April 15. Fee: £220 + VAT (before February 28); £250 + VAT (after February 28). Details from Maria Houckham, Mintel Publications, KAE House, 7 Arundel Street, London WC2R 3DR. Tel: 01-836 1814.

Investing short-term cash surpluses, London. March 11-12. Fee: £517.50. Details from IIR, 44 Conduit Street, London W1R 9FB. Tel: 01-434 1017. Telex 946240.

The efficient secretary's guide to sales and sales management, London, March 3. Fee: £110 + VAT for members of IM; £130 + VAT for non-members. Details from IM Marketing Training, Moor Hall, Cookham, Maidenhead, Berks SL6 9QH. Tel: 06285 24922 ext 29.

Computer-aided project management, London. March 26-27. Fee: £488.75 (before March 12); £511.75. Details from Miss J. K. Van Wycks, Seminar Division, Crown Eagle Communications, Vernon House, Sicilian Avenue, London WC1A 2QT. Tel: 01-242 4111. Telex: 896827TACS G/Ref 1202.

Incentive schemes conference, London. March 28-29. Fee: £425 + VAT. Details from administrator, IIR, 44 Conduit Street, London W1R 9FB. Tel: 01-434 1017. Fax: 01-437 2338.

System architecture and system integration, West Berlin. March 23-24. Fee: DM 1,350 + 14 per cent VAT. Details from Elko Riehl, General Delegate for BECEEP, AMK Berlin, Messedamm 22, D1000 Berlin 19. Tel: (030) 3038 3836. Telex: 1 82 890 amkc d. Telefax: (030) 3038-3032.

Quality improvement services, two-day course for service and support operations, Slough. March 19-20. Fee: £632.50. Details from Eileen Peverall, Conference Secretary, DHA, 13-14 Hermitage Parade, High Street, Ascot Berkshire SL5 7HE. Tel.: Ascot (0990) 28712. Telex: 847738 DHAQIC G.

Running your own business, Ealing. March 16-20. Fee: £225 per person, £375 for two persons. Details from Kym Hepburn, Hotel & Catering Training Board, International House, High Street, Ealing, London W5 5DB. Tel.: 01-579 2400.

Pricing and forecasting in the pharmaceutical industry: a matter of growing concern, Copenhagen. March 4-6. Fee: EPHMRA/ESOMAR members SwFr 1,020; non-members SwFr 1,210. Details from ESOMAR Central office, J. J. Viottastraat 29, 1071 JP Amsterdam, The Netherlands. Tel.: (020) 64.21.41. Telex: 18535 ESMAR NL.

Driving home across Britain's frozen wastes, one comforting thought keeps you going.

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Now, whatever the weather conditions, you can safely 'step on the gas'.

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YOU CAN BE SURE OF SHELL

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
23	24	25	26	27	28	29

Music

LONDON

English Chamber Orchestra conducted by Jeffrey Tate with Jard van Nes, mezzo-soprano. Mozart, Mahler and Strauss. Queen Elizabeth Hall (Mon). (928 3191).

Chamber Orchestra of Europe conducted by Lorin Maazel with Gidon Kremer, violin and Arleen Auger, soprano. Mozart. Royal Festival Hall (Tue). (928 3191).

City of Birmingham Symphony Orchestra conducted by Simon Rattle. Sibelius and Mahler. Royal Festival Hall (Wed).

Pinchas Zukerman, violin and conductor, with the English Chamber Orchestra. Rossini, Schubert and Beethoven. Royal Festival Hall (Thur).

Academy of St. Martin-in-the-Fields conducted by Iona Brown, violin. Purcell, Holst, Vaughan Williams, Mendelssohn and Elgar. Queen Elizabeth Hall (Thur).

PARIS

Brigitte Fassbaender, mezzo-soprano, Irwin Gage, piano: Schumann (Mon). Theatre de L'Athenée (4742 6727).

Ensemble Intercontemporain conducted by Pierre Boulez and Peter Eotvos: Karlheinz Stockhausen, Iannis Xenakis, Luciano Berio, Olivier Messiaen (Mon). Theatre de la Ville (4261 5675).

Ensemble Orchestral de Paris conducted by Jean-Pierre Wallez; Michel Beroff, Jean-Philippe Collard, pianos; Bruno Rigutto, Gabriel Tacchino, pianos: Bach Concertos (Tue). Salle Pleyel (4561 0630).

Gerard Gahnassia, piano: Beethoven, Schubert, Gershwin, Da Falla (Tue). Salle Gaveau (4563 2030).

Mikhail Rudy, piano: Chopin, Ravel, Prokofiev (Tue), Brahms, Liszt, Schubert (Wed). Both concerts at 6.30pm. Theatre de la Ville (4261 5675).

Orchestre de Paris conducted by Carlo Maria Giulini: Bruckner 8 (Wed, Thur). Salle Pleyel (4561 0630).

Nouvel Orchestre Philharmonique and Radio France Choir conducted by Marek Janowski, Peter Donohoe, piano: Busoni, Schmitt (Thur), Radio France, Grand Auditoire (4524 1516).

BRUSSELS

Palais des Beaux Arts: Lieder recital by Anthony Rolfe Johnson with Graham Johnson, piano: Beethoven, Schumann, Poulenc, Britten. (Wed). (512 50 45).

Musee Instrumentale: Dominique Mols, soprano and Guy Penson, harpsichord and piano: Monteverdi, Gibbons, Purcell, Mozart, Donizetti (Wed). (511 35 95).

ITALY

Milan: Teatro Dell'Opera: Verdi – Cesar Franck and Schumann, Salvatore Accardo (violin), Michele Campanella (piano), Margaret Batjer (violin), Toby Hoffman (viola), and Peter Wiley (cello). (Mon). (80 91 26).

Continued on Page 15

Theatre

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other riffraff. (836 6111, CC 836 1171).

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new women crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

PARIS

The English Shakespeare Company at the Old Vic presents Shakespeare – The Henrys produced by Michael Bogdanov at Espace Jacques Prevert, 134 rue Anatole France, Aulnay-Sous-Bois, a Paris suburb: Henry IV (Part I), Wed 8.30pm; Henry IV (Part II), Thur 2.30pm; Henry V, Thur 8.30pm (4868 0022).

NETHERLANDS

Amsterdam, Bellevue Theatre. English-Speaking Theatre of Amsterdam with The Dutchman by Leroi Jones, performed by Lisa Sove and Gylan Kain (Tue to Thur). (247 248).

SPAIN

Madrid, Where Is The Party by Dutch group Pigeon Drop. A series of sketches and gags by three actors and three musicians. A sort of pantomime, musical, cabaret show. Teatro Martin, Santa Brigida 3 (222 93 52), until end of March.

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

Ghost on Fire (Goodman): The latest play by Michael Weller, called the Chekhov of his generation for his intelligent sadness in plays like Moonchildren and Loose Ends, follows two college friends who try to rekindle their inspiration after making money in Hollywood. Les Waters directs Dawn Arnemann, Peter Ayiward and Bill Cobbs. Ends Feb 14. (443 3800).

My Werewolf (Goodman Studio): Theatre X production written by John Schneider tells the werewolf legend as a 1940s horror movie, with all the exaggerations of romance, terror and eerie music, for the stage. Ends Feb 22. (443 3800).

WASHINGTON

Les Miserables (Opera House): The American tour that will end up on Broadway early in the new year begins in Washington as a celebration of the British musical's leap beyond its American forebears. Ends Feb 14. (254 3770).

Arsenic and Old Lace (Eisenhower): Jean Stapleton stars in the old chestnut comedy about two proper ladies who put poor men out of their misery while their nephew buries the bodies thinking he is Teddy Roosevelt building the Panama Canal. Ends Feb 14. Kennedy Center (254 3670).

Opera and Ballet

PARIS

Roland Petit and Ballet National de Marseille present The Blue Angel at the Palais des Sports, Porte de Versailles (4828 4010).

Ballets Van Dantzig/Balanchine conducted by Lothar Zagrosek. Van Dantzig's choreography of Sans Armes, Citoyens, to Berlioz' music, is followed by symphony in three movements by Stravinsky in Balanchine's choreography. Paris Opera.

WEST GERMANY

Berlin, Deutsche Oper: Die Macht des Schicksals has fine interpretations by Mara Zampieri and Giorgio Lamberti. Der Troubadour is a Herbert von Karajan production. Zar and Zimmermann has as leads Godrun Sieber and Andreas Schmidt. Die Hochzeit des Figaro stars Pilar Lorengar, Carol Malone and Wolfgang Brendel. Further offered Die Lustigen Weiber von Windsor.

Hamburg, Staatsoper: La Nozze di Figaro is a joint project between Hamburg and Salzburg Mozarteum. Zar and Zimmermann is a well done repertoire performance. Katja Kabanowa has a particularly strong cast with Nadine Secunde, Daphne Evangelatos and Franz Ferdinand Nentwig. Otello brings Julia Varady, Hildegard Hartwig and Vladimir Atlantow together. Il Trovatore has Awilda Verdejo, Giorgio Zacanaro and Franco Bonisolli.

Frankfurt, Opera: Eugen Onegin features Helena Doese, Marga Höffgen and Benjamin Luxon. Don Giovanni is revived with Benjamin Luxon in the title role, beside Helena Doese, Norma Sharp and Franz Mayer singing other parts; but Berghaus' production of Die Walküre will be conducted by Michael Gielen. Also in the repertory: Orpheus in Der Unterwelt and Der Wildschütz.

ITALY

Milan: Teatro Alla Scala: Salomé conducted by Kent Nagano and directed by Robert Wilson, who also designed the scenery. The cast includes Eva Marton, Bernd Weikl, Helga Dernesch and Hermann Winkler; by George Balanchine with Paola Maccaderri and Biagio Tambone; Riccardo III by Flavio Testi conducted by Roberto Abbado and directed by Virginio Puecher. (80 91 26).

Rome: Teatro Dell'Opera: Carmen, in the Teatro Comunale di Firenze production, conducted by Jacques Delacote and directed by Silvia Cassini, with Elena Obraztsova, Jose Carreras, Silvano Carroli and Daniela Dessi (46 17 55).

Bologna: Teatro Comunale: L'Italiana in Algeri conducted by Bruno Campanella and directed by Jean-Pierre Ponnelle, with Martine Dupuy, Ruggero Raimondi and Enzo Dara. (22 29 99).

Trieste: Teatro Comunale Giuseppe Verdi: Budapest Opera Company's production of Kodaly's Hary Janos, conducted by Tamas Pal and directed by Laszlo Vamos. (63 19 48).

SPAIN

Barcelona, Bellini's La Sonnambula with Enedina Lloris, Rockwell Blake and Francesco Ellero. Orchestra conducted by Armando Gatto. Gran Teatre del Liceu, La Rambla 65. (318 91 22).

Continued on Page 15

Exhibitions

PARIS

Musée d'Orsay. The spectacular museum of the 19th century is situated opposite the Tuileries Gardens within the metallic structure and the glass-roofed vault of the vast Belle Epoque railway station. It houses paintings, sculptures, objets d'art and photographs from the end of the romantic period to the beginnings of modern art and the impressionist and Post-Impressionist collections formerly in the Jeu de Paume. Here they are counterbalanced by academic painters, their contemporaries, long derided for their pomposity.

The sculptures come into their own in the immensity of the nave, at the end of which is a large-scale model of the opera and its district below glass tiles. The view of Paris from the terraces is an additional delight. Musée d'Orsay, Entrance 1, rue de Bellechasse (4549 4814). Closed Mon.

Japon des Avant-Gardes: A multi-disciplinary exhibition of some 500 objects retraces the 1910-70 period in painting, architecture and technology and is completed by a musical, theatrical and cinematographical programme. The influence of Japanese art on Western culture is well-known, the European inspiration of modern creativity in the Land of the Rising Sun much less so. The exhibition shows the tensions and contradictions of artists trying to absorb futurism, Dadaism and surrealism, movements so alien to their own ancestral traditions. Centre Georges Pompidou. Closed Tue, Ends March 2 (4277 1233).

Tarento's Gold: Some 1000 exhibits, of which 250 are of gold or other precious materials, bear witness to the sumptuous way of life in ancient Tarento. Found in tombs, the treasure consists of earrings, bracelets and necklaces, all exquisitely worked by goldsmiths during the Hellenistic period. Even everyday objects are stamped with the same high artistic quality, as are delightful clay statuettes. Musée Jacquemart-Andre (4289 0491), closed Mon. Ends Feb 15.

France and Russia in the Century of Enlightenment: A didactic exhibition of 600 paintings, sculptures, objets d'art and rare manuscripts shows how cultural contacts between the two countries, practically unaware of each other at the beginning of the 18th century, grew to a constant flow of ideas and works of art by the end of it. The exchanges, begun by Peter the Great, became ever more intense under Catherine II who was fascinated by French philosophers and French aristocracy's art de vivre. Grand Palais (4289 5410), closed Tue. Ends Feb 8.

WEST GERMANY

Tübingen, Kunsthalle Philosophenweg 76: Toulouse-Lautrec. A retrospective of 130 paintings and picture studies by Henri de Toulouse-Lautrec (1864-1901). Ends March 15.

Münster, Westfälisches Landesmuseum, Domplatz 10: August Macke: To mark the 100th anniversary of his birthday, the museum, helped by the Macke archive and sponsored by the estate of Northrhein Westphalia, is displaying 180 paintings, 130 pictures, 70 watercolours and documents. Macke, born in Meschede (Westphalia), studied in Düsseldorf and Berlin under Lovis Corinth. He was responsible for a new art form before the First World War. In the spring of 1914, he went with Paul Klee and Louis Moilliet to Tunis. In the same year, he was sent to the front in France, and died in action in Champagne. Ends Feb 2.

Hannover, Sprengel Museum Kurt-Schwitters-Platz: Pablo Picasso, the exhibition is the most complete display of Picasso's works seen in Germany, showing the 417 pieces donated in 1969 by the industrialist Bernhard Sprengel. Sprengel, who died last year, was Germany's leading collector of Picasso's works. The exhibition, with 400 graphic art prints and 17 oil paintings covers the artist's complete artistic range from 1904 to 1968, spanning cubism, classicism and surrealism, as well as Picasso's most recent works. Ends Mar 15.

Munich, Lenbachhaus, Luisenstrasse 33: Franz von Lenbach (1836-1904). The painter had himself built a Palast in the Italian renaissance style, finished in 1891. His widow then sold it to Munich in 1925. To mark the 150 anniversary of his birth, the Lenbach Villa will be redecorated with the original furniture and paintings of the artist. The exhibition displays 180 pictures and paintings in several rooms. Lenbach, celebrated above all for his portraits, studied at the academy for arts in Munich under Karl von Piloty. Ends March 29.

ITALY

Florence: Palazzo Pitti: The theatrical costumier Umberto Tirelli's fine collection of costumes dating from the eighteenth century to the present recently donated to the Pitti's Museum of Costume, particularly striking are the gorgeously embroidered men's jackets from the 1700s. Also includes a section of the costumes made in the Tirelli workshops for productions by Luchino Visconti, Luca Ronconi, Franco Zeffirelli and Pier Paolo Pasolini with photographs taken on stage. Ends March 8.

Rome: Galleria Nazionale di Arte Antica: (Palazzo Barberini; via delle Quattro Fontane): Works by Caravaggio, normally spread throughout various museums and churches in Rome (mainly from the Villa Borghese, which houses the largest number) with a handful of paintings of doubtful attribution. Ends Feb 28.

Rome: Museo Napoleonico: (Piazza di Ponte Umberto 1): The Guillotine, fascinating, but gruesome exhibition, illustrating the history and use of the guillotine via a series of engravings and watercolours from the Museo Carnavalet and the Bibliotec Nationale in Paris. Dr Luisi Guillotin is exonerated for its invention, (being merely the promoter of a law which extended its use – as being more humane – to all, not merely nobles, prisoners). Numerous engravings show the beheading of Louis the Sixteenth. Also included is the drawing by David of the cropped-headed Marie-Antoinette on her way to the scaffold. Ends Feb 3.

Venice: Palazzo Ducale: China In Venice: Chinese Civilization from the Han Dynasty to Marco Polo (25-1279 AD): 158 objects, including silks, brocades, jewellery, terracotta figures, glass and porcelain lent by the Peking Museum. Many result from recent excavation, and most have never been out of China. The exhibition covers the main period of Chinese art, and the objects found in tombs, buried with the owner for his use in the hereafter, shed a fascinating light on life in the period. Ends March 1987.

NETHERLANDS

Amsterdam, Van Gogh Museum. The seven Van Gogh sketchbooks have now been reconstructed and are on display for the first time, with the associated drawings and paintings. Ends Feb 8.

SPAIN

Madrid, Modern American printmaking, original engravings by 18 US painters showing the resurgence and impact of printmaking in the States. Since the 50s many workshops have contributed to the proliferation of quality works on paper, this show represents the different aspects. Audrey Flack's Fotorealism, Steven Sorman's abstract non-figurism or Kenneth Hale's Post-Modernism are shown. Achna. San Bernardo 107. Ends Feb 5.

NEW YORK

Metropolitan Museum: 90 paintings from the end of Van Gogh's life are the focus of this second of a two-part show of the prolific artist at Saint-Remy and Auvers. The Starry Night and Cypresses come from this period of working first in an asylum in Saint-Remy and then in Auvers, where he committed suicide in July 1890. Ends March 22.

Museum of Modern Art: The 1985 Grand Palais exhibit of Lartigue's 1920s photographs starts its American tour showing the evocative panoramas and fleeting moments on the streets of Paris between the wars. Ends March 24.

Metropolitan Museum of Art: The Prints of Pieter Bruegel with over 65 works consists primarily of engravings made in Antwerp in the 1560s after Bruegel paintings, but also includes the only woodblock with a Bruegel drawing on it. Ends March 15.

CHICAGO

Art Institute: The art of Italian Renaissance armourers, with suits embossed with Greek and Roman deities and fantastic creatures of the artists' imagination, is on display in a special exhibit of French king Henry II's armour borrowed from Hever Castle. Ends Mar 1.

TOKYO

Scenes of Old Tokyo: 48 prints depicting celebrated areas of 19th century Tokyo by renowned artist Kiyochika Kobayashi, Sanju Shizini and others. Yushukan Treasury in Yasukuni Shrine. A museum of war memorabilia is also sited in the precincts. Near Kudanshita. Ends Jan 31.

Edo Paintings and Noh Costumes: 22 exquisite works in delightful small museum, part of Okura Hotel. Okura Shukokan Museum. Ends Feb 22. Closed Mondays.

Hokusai Landscapes from The Boston Museum Collection: 130 prints from the 18th century artist Katsushika Hokusai. Tobacco and Salt Museum, Harajuku, set in Tokyo's most fashionable street, a weekend itinerary could also take in the Meiji shrine and gardens, bamboo-shoot street dancers and refreshments at any of the wide variety of elegant cafes. Ends Feb 8. Closed Mondays.

THE ARTS

Cinema/Nigel Andrews

A radical riposte to Rambo jingoism

Salvador directed by Oliver Stone
The Name of the Rose directed by Jean-Jacques Annaud
The Golden Child directed by Michael Ritchie
Heavenly Pursuits directed by Charles Gormley
Raw Deal directed by John Irwin

There can be a special providence in the timing of a film's release. Salvador, directed and co-written by Oliver Stone (who screenwrote *Scarface* and *Year of the Dragon),* reaches the screen when America is dancing on hot coals over its actions and interests, real or alleged, in Central America. Stone's film has the authentic *whiff of singed* flesh and hurried footwork as it follows a photo-journalist (James Woods) into the political and military disarray that is modern El Salvador. Like *Under Fire, Salvador* offers a radical riposte to the Rambo school of thick-eared jingoism. And the style of the opening credit sequence, a jerky black-and-white newsreel of the massacre on the cathedral steps in San Salvador, shows history evolving as it really does rather than as Hollywood would often like it to do: *in a painful* staccato rather than an immaculate blaze of Stallone-style heroism.

The movie's greatest strength, evident from the story's beginning as our hero bumps across borders by car from a failing marriage in *California to the* career excitements awaiting him in El Salvador, is the central character. If Woods is a crusader for truth, it is by accident rather than design. This weaselly, fidgety troubleshooter, forever elbowing into the *nearest battle* zone or diplomatic crisis, is also a born troublemaker. His mission is to make mischief whatever land he finds himself in, whatever political regime he *is reporting* on. Woods runs about the torn landscape of the Salvadorian civil war with the scavenging glee of a rat in a rubbish dump. Even when his own interests or emotions are at stake — the safety of his mistress and child in El Salvador, for whom he is glibly ready to dump his American wife ("She was a commie atheist anyway") — one suspects he would only have to be in a different country for a day or so to forget them altogether.

All the more startling that the character is based on a real self-portrait, that of reporter *Richard Boyle,* who co-wrote the film from his own book on El Salvador.

The movie's worst feature is its tendency to down story at *times, and let* everyone *sit* around swapping political tirades or bromides. In these marathon chinwags, the film fails to disguise its fairly rampant left-wing bias. Rebel chiefs spout on about "the will of the people and the march of history," *while the omnipresent* US brass looks caricaturally guilty and/or tongue-tied. And the suspicion that we are being preached at reduces the voltage *in potentially harrowing scenes* like the truth-based rape and murder of a group of American nuns.

But whenever the movie moves to the battle zone, it does so with fierce power. The fighting scenes—Woods and war photographer *John Savage* zig-zagging between bullets waving a frail white handkerchief and shouting "Periodista" (Journalist")—are like front-line newsreels delivered piping hot to the cinema. And at its best the film also captures an emotion rarely felt or even acknowledged in American war movies: the prickly sensation of true *fear.*

James Woods (left) in "Salvador"

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Hands up all those who have read *Umberto Eco's The Name Of The Rose* from cover to cover, without skipping any of the long bits of theological history? Yes, I thought *so.* Dr Eco's *learned murder* mystery set in a Mediaeval monestary sold four million copies, but its 600-odd pages were evenly divided between the unputdownable and the virtually unreadable.

The film, directed by Jean-Jacques Annaud (of *Quest For Fire)* and written by four screenwriters (not including Doc Eco), fillets the book and throws away the bones of prolix erudition; for which many will be thankful. Unfortunately, what it then does with the succulent whodunnit carcase is simply to boil it up and dish it out on a platter. Little *survives of the original's magically* suspenseful flavour, as monastic bodies kept hitting the ground with the regularity of Agatha Christie victims and inquiries were led by the masterfully sagacious William of Baskerville.

The movie, though graced by a deft performance by Sean Connery as William, flatfoots in monk's sandals through an ABC plot treatment woefully devoid of surprise or *rubato.* The novel's *thrillingly labyrinthine* Gothic settings are recreated with size but without style, and there is a determination to characterise all the supporting monks as cut-price loonies discarded from a Fellini film. Sadedst of all is the waste of *F. Murray Abraham, here gracing* the screen for the first time since his Oscar-winning Salieri in *Amadeus* and called on to do little but snarl and grimace as Chief Inquisitor while his victims and the monastery go up in flames in the last reel. *The film itself, alas, never* catches fire at all.

Eddie Murphy takes us by the hand in *The Golden Child* and asks us to accompany him *on a comedy-romp.* Speaking personally, I was happy to go. Though the plot is certifiable—Murphy is hired to rescue a messianic Tibetan child from the clutches of an evil magician (Charles Dance)—the treatment is garish and godhumoured: *Ghostbusters* crossed with "Nepalese Hills Cop."

Eye-popping special effects (from Industrial Light and Magic, the *Star Wars* and *ET* outfit) punctuate a merry script, whose only failing is the *occasional tendency to fall through* a trapdoor into sentimentality. ploited here. is his ability to switch between buffoon and confidence trickster. In the first mode his mouth gapes and his eyes swell to the size of luminous pennies as disaster threatens. In the second he bares a smirk as dazzling as a Himalayan snowcap and blinds his victims with teeth and sales-talk. Best moments *are when the two personae come* together: as when he stumbles into Mr Dance's den at a climactic moment when the evil image happens to be turning into a slavering monster. "I didn't realise you were busy," says Murphy, quick as a born-again coward, and scrams to live another day. The film is fun for the whole family.

Tom Conti, resembling a genial bird of omen under a nest of black hair, plays a Glasgow *schoolteacher* in Charles Gormley's comedy *Heavenly Pursuits.* Mr Conti keeps protesting "Look, no miracles" as the Press and media cry "Divine intervention" about the happenings at his Catholic school: his own survival from a near-fatal fall, the quantum leaps towards mental or physical prowess made by his backward or handicapped pupils. Conti is all for faith, hope and charity. But greater than these, he insists, is clarity (of thought).

Gormley, a Scottish film-maker making his feature debut, directs this fable of reason versus mysticism with wry good humour, although there are times when one could do with less wryness and more up-and-at-'em attack. But Conti is splendid and Helen Mirren, British cinema's up-market sex-symbol, is briskly beauteous as his girlfriend.

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Raw Deal is pure pulp: Arnold *Schwarzennegger and* his wall-to-wall shoulders against the Mafia. Tremble at the force with which he breaks down doors! Gasp at the hi-tech arsenal with which he blows apart a a dozen Mafiosi in the climactic scene! And then go and see a worthwhile movie.

The Cid/Donmar Warehouse

Martin Hoyle

The Cheek by Jowl company is alternating its exuberantly imaginative *Twelfth Night* with —can it really be?—the first professional performances in English of *Le Cid.* Those who *feel that the company's Shakespeare is gimmicky* will be reassured by Declan Donnellan's comparatively restrained direction of Corneille.

The French playwright has had an even rougher ride in Britain than his compatriot Racine. The latter's world, constantly well—or ill—lost for love, *at least strikes a chord of baffled* Anglo-Saxon sympathy. However, Corneille's characters, each pacing the cage erected by his own pride, often smack *of mini-Übermenschen strutting* through what a man's got to strut through.

This production takes a fairly low-key view of that inanely rigid code of honour that sunders lovers and turns noble souls schizoid between the *demands of affection and* duty. Of insights, innovations and sudden *aperçus* there are *little,* until the final scene begins to send up the tiresome heroine's determination to be unhappy. But the laughing reasonableness that dismantles the almost samurai-like code of revenge and self-denial promptly undercuts the *previous two hours. If Chimena* is just a silly girl whose obsession with avenging her father's death on the man she actually adores can be made to look ridiculous so easily, why have they—or we—been bothering?

In fact the plot is less *inflexibly schematic* than *much* French classic theatre. Chimena and Rodrigo love each other; Rodrigo has to kill her father (family honour); she pursues vengeance, he meanwhile finds military glory. The king's daughter, moreover, nobly struggles with her own passion for the socially inferior Rodrigo.

Slight hints of Goya, a final portent of the Civil War (Hugh Ross's understated king makes it plain that his dynasty is in for trouble). This Spanish court is dominated by the threatening high martial spirits of the locals, a junta in the making. *The* men's dress uniform of blue tunics and white breeches contrasts with the women's modern dresses, and mark a lack of respect for an *obviously weak regime. Poor* Anne White's infanta retains her dignity in the face of an insolent confidante in military uniform, but the production scarcely *allows her the* status of a princess of Spain.

Quick black-outs, a *few* guitar chords and a Hispanic stamp-and-clap routine punctuate the scenes, but *mercifully* never evoke touristy Costa Bravado. David Bryer's new translation has the rhythm of verse, just enough to give an idea of the *original without plunging into* poetics. The style suits scenes of intimate discussion or argument (no ranting or rhetoric here). Aden Gillett rebounds from his midnight-cowboy Aguecheek and gives us no Gérard Philippe-type Cid (much admired at the Comédie Française), but faintly evokes Rupert Brooke. Exhausted and muddy, he recounts his victory with the cheerful no-nonsense modesty of the captain of the *first XI, breaking down to weep* silently at the memory of the carnage. Mr Gillett has a deceptively naturalistic way with lines; he really does seem to utter them the *moment he* thinks of them.

Patricia Kerrigan is less happy as Chimena than as Viola. The production is unable to *focus between the imperatives* of a code of behaviour that can ruin people's lives, and its awareness of how absurd the code is; and Miss Kerrigan falls victim to the general uncertainty, a tearaway little tartar who never quite convinces us of *love or hate.* Timothy Walker (the stylish Orsino in the group's Shakespeare) contributes a trim, bitter little vignette as poor Don Sancho, the *doughty champion* who volunteers to fight for Chimena only to find that she's rooting for his opponent. *Not Cheek by Jowl* at its ebullient best, but one for Corneille collectors.

Alastair Muir

Aden Gillett and Patricia Kerrigan

Pianolas/Purcell Room

David Murray

The pianolas of Rex Lawson and Denis Hall have become a South Bank institution. An affection for pianola-roll music is not so peculiar as it seems; the device—one can hardly call it an instrument, for it is connected to a piano and actually plays it—boasts a considerable repertoire, from pieces punched on rolls under the supervision of their composers to modern rolls made by the likes of Lawson himself. His own version of *Lutoslawski's Variations* on a Theme of Paganini, which ended Wednesday's concert brilliantly, incorporates the original parts for two pianos on a pianola-roll for a single keyboard.

Lawson is fond of old "metronomic" rolls, which were designed to reproduce the notes accurately in strict time, leaving nuances of tempo and dynamics to the human player. The difference between letting the thing simply run and intervening creatively is great, but it has to be admitted that the intervention possible is limited in comparison to what an actual pianist does. Overlapping melodic lines can't usually be given individual treatment, and (no doubt for practical reasons) there seems to be no real *ppp* or *fff* available. The pianola sounds most virtuoso when it dictates notes in wild profusion, especially if they exceed the possibilities of human hands.

For those reasons the Rakhmaninov Fantasies and Preludes that we heard were much less striking than the racketty Lutoslawski, and the slower parts of a *Firebird* suite and *Petrouchka*—both made under Stravinsky's direction—a bit flat, where the teeming music for Kastchei's warriors and the Shrovetide Fair sounded terrific. Balakirev's Tarantella, forgotten nowadays by almost everybody except Cherkassky, glittered nicely, though it lacked the last refinements of a clever pianist's polish. (*It is shocking,* by the way, that everybody seems also to have forgotten that Balakirev's 150th anniversary is this month.) Still, the experience of hearing pianola music on this ambitious scale is fascinating, and not a little uncanny.

Stephen Varcoe/Wigmore Hall

Dominic Gill

Stephen Varcoe's recital on Wednesday, accompanied by Graham Johnson, was subtitled "La Procession"—a survey, by way of 23 songs and as many composers, of 140 years of French song. A throat infection meant that Mr Varcoe had to hold back his fullest voice, and that some of the highest register had fuzzy edges: but the musical momentum never faltered, and the delivery nonetheless never lacked for commanding charm.

The procession moved quickly from Mozart's gentle, pastoral "Dans un bois solitaire" to the mid-19th century, to settle light as velvet on Liszt's luscious setting of Victor Hugo's "O! Quand je dors" and Gounod's exquisite ballade "O ma belle rebelle." From that point onwards, the luscious and the exquisite were in regular alternation, Bizet's luminous "Douce Mer" and Lalo's delicate "*Souvenir*" beside Massenet's "Si tu veux Mignonne" — of which last Mr Varcoe made in particular an absolutely splendid, timelessly sentimental effusion.

There were many welcome revivals in the procession: Chabrier's lovely "L'isle heureuse" (from the *Six mélodies*); a pair of deftly contrasted forests (Chausson's "du Charme" and Fauré's 'de Septembre"); and the great popular *chanson* "Fascination," supposedly by one F. D. Marchetti, but actually from the hand of Ravel. It was a happy inspiration to include Satie's "Trois poèmes d'amour," together with the composer's own marvellous, satanically tongue-in-cheek spoken preface and commentary; and a happy choice to end, on a deftly ambiguous note, with Poulenc's *Bestiaire.*

Joan Miro Retrospective/Zurich Kunsthaus

Ernest Beck

Yet another Miro exhibition? This is the honest question the curators at the Zürich Kunsthaus dare to ask visitors as they enter the museum's comprehensive Joan Miro retrospective — the first of its kind since the artist's death in 1983. Perhaps, as an essay in the catalogue he suggests, Miro has already joined the ranks of easily recognised modern "greats" whose visual impact has been dulled by over-exposure.

The retrospective sets out to make a necessary correction to Miro's reputation by creating an historical perspective of his struggle for a uniquely personal mythology. Attention has been shifted away from the better known and popular later works to figurative paintings of the formative years, 1915-1925, and the later "dream pictures." Of some 150 assembled works, more than half date from before 1940. Instead of the end product we are given a glimpse of the process.

The first room is therefore a surprise: 20 pictures, most of them realistic, cubist-inspired landscapes and nudes, mark the long distance his creative talents travelled. *One wonders if this* is indeed the Miro show: picture-perfect Spanish villages [illegible] the bucolic countryside. The most important of this phase is the 1921 painting "The Farmhouse," originally bought and loved by Ernest Hemingway and described by Miro himself as a key to understanding his entire oeuvre.

A giant eucalyptus tree and a stone farmhouse dominate the pastoral scene, surrounded by Miro's world of birds, dogs, horses, fallow fields, man, the sun in a pale blue sky — a static view of his universe on a sunny summer day in Catalonia. Painted after Miro's arrival in Paris, it lies between the naïve school and primitivism, combined with the artist's searching for connections with his native culture in a foreign land.

These bits and pieces of everyday life are soon reduced to solitary symbols on uncluttered canvases awash with deep blue and ochre fields of colour. These laconic "dream pictures" — as Miro called them — mark his break with traditional painting and a move towards a refined, surrealistic vision: "The Circus Horse" from 1927, for example, contains only a single black line, the vague outline of an animal, on a blue background accented by four small patches of brilliant colour. Others pick up small elements from "The Farmhouse" and transpose them on to empty space — eucalyptus leaves become spiders dangling from a half-moon and surrounded by a vague question mark.

The fact that many Miro reproductions hang in children's rooms — because they are perceived as innocent scribblings — has not escaped consideration at the Kunstmuseum. Viewing the Miro calligraphy of the 1930s *en masse* changes that illusion: they become icons of fear, destruction, and human drama. War and man's inhumanity are recurrent visions and the 1938 "*Woman in Revolt,*" the artist's personal indictment of the Spanish civil war, his answer to Picasso's Guernica. In it we see the contorted body of a naked woman, her hand clenched in a fist, the deformed head letting out a scream as a village burns in the background. The colours of the sky are murky, poisoned it seems, and a large male genitalia lurks nearby. This is a different Miro, preoccupied with depicting violence and the destruction of order.

These dire feelings continue through the war years and culminate in the series known as "Constellations." Often shown as examples of his mature style, they are hectic and frenzied visions of night, with black dots as stars and half-moons, eyes watching from every corner. Painted just before the German occupation of France, when Miro was living in a Normandy village, and finished years later in his Palma studio, they are magical yet foreboding scenes of a world on the brink of chaos.

There are flashes of humour and playfulness as well: collages of the 1930s incorporate photographs, cut-outs of Victorian ladies and kitchy postcards. "I want to murder painting," Miro declared at the time, turning to three-dimensional constructions such as a coat-rack decorated with an umbrella and dried flowers. Another has seashells nailed to pieces of driftwood. And a ceramic sculpture 20 years later looks like a demonic, hapless forerunner of Spielberg's "ET."

Examples of later work, dominated by his first immense triptych "Blue I, II, and III" from 1961, bring the exhibition full circle. Seen at the end of the long main hall, they are vast empty spaces of vibrant blue which hark back to the earlier dream pictures. Only an occasional black fleck or red splash disturb the meditation. The influence of Miro's recent encounters in New York with the new American painters—Pollack, Robert Motherwell and Barnet Newman, among others—is apparent here, and given the thorough review one has just passed through, these paintings suddenly appear weak and somewhat derivative. Many of Miro's hallucinatory images reappear but they are embellished by Pollack-like drips, as if the artist was admitting defeat at not adding his own voice to the experimental era.

Given his 70-odd years of prodigious activity and innovation within the confines of his singular style, these lapses can certainly be forgiven. As the retrospective clearly shows, Miro succeeded in merging the powerful trends of our century with a distinct feel for his Spanish heritage and a sense *of humanism, in the end emerging* as a unique creative spirit. (Until February 1 at the Zürich Kunsthaus, then Städtische Kunsthalle, Düsseldorf, and the Solomon R. Guggenheim Museum, New York. Catalogue is in German.)

Music

Continued from Page 14

NETHERLANDS

Amsterdam, Concertgebouw. Hartmut Haenchen conducting the Netherlands Philharmonic, with Peter Rösel, piano: Janacek, Rachmaninov, Mendelssohn (Tue, Wed). Recital Hall: The Amsterdam Bach Soloists (Tue). Piano recital by Margaret Mills: Schumann, Wilson, Mozart, Newman (Wed). Hans Peter Blochwitz, tenor, accompanied by Cord Garben: Schubert (Thur). (71 83 45).

Rotterdam, Doelen. Organ recital by Arie Keijzer: Bach, Mendelssohn, Keijzer (Mon). The Amadeus Ensemble and soloists und Marian van Staalen: Mozart (Tue). Recital Hall: The Arion Ensemble conducted by Alexandru Lascae, with Isabelle van Keulen, violin: Vivaldi (Tue). Vocal works by Schubert, Haydn, Kreutzer, Salieri, Randhartinger (Wed). (414 91 11).

Amsterdam, Maison Descartes. The Edmond Clement Group: Berlioz, Fauré, Hahn, Ravel, Gounod (Thur). (22 19 36).

Maastricht, Cultureel Centrum. The Gilas Trio: Beethoven (Wed). (21 35 00).

VIENNA

Valeri Afanassiev, piano. Brahms, Schubert. Konzerthaus Mozart Saal (72 12 11). (Mon).

Vienna Symphony Orchestra conducted by Eugen Jochum with Elisabeth Leonskaja, piano. Mozart, Schubert. Konzerthaus (Tue and Wed).

Krystian Zimerman, piano: Chopin, Schumann, Musikverein (Thur).

Beaux-Arts Trio. Beethoven. Musikverein Brahms Saal (65 81 90).

TOKYO

Tokyo Philharmonic Orchestra conducted by Christophe Escher, with Brigitte Engerer, piano. Berlioz, Saint-Saëns, Shostakovich. Tokyo Bunka Kaikan (Thur). (237 9990; 235 9686).

Yomiuri Nippon Symphony Orchestra, conducted by Rafael Frühbeck de Burgos. Mahler. Tokyo Bunka Kaikan (Mon). (270 6191)

Contemporary Music: New Japan Philharmonic Orchestra conducted by Kazuhiko Matsui in works by Kako, Ponty, McLaughlin (Tue) All-Toru Takemitsu programme. New Japan Philharmonic Orchestra conducted by Hikaru Hayashi (Wed). Kan-i Hoken Hall. U-Port Bldg. Gotanda (403 2400).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Erich Leinsdorf conducting, Kathleen Battle soprano. Strauss, Couperin/Strauss, Beethoven (Tue); Kurt Masur conducting, Horacio Gutierrez piano with New York Choral Artists directed by Joseph Flummerfelt. Chopin, Liszt (Thur). Lincoln Center (874 2424).

Carnegie Hall: Andrei Gavrilov piano recital. Schumann, Schubert (Wed). (247 7800).

Juilliard Concerts (IBM Gallery): Cavalli Trio. Mozart, Loeffler and Brahms for piano trio. (Wed, 12.30 pm). 56th & Madison.

WASHINGTON

National Symphony (Concert Hall): Edo de Waart conducting, Nigel Kennedy violin. Elgar, Bruch (Tue); Hugo Wolff conducting, Mstislav Rostropovich, cello. Schumann, Bloch, Dvořák (Thur). Kennedy Center (254 3776).

CHICAGO

Royal Philharmonic (Orchestra Hall): Vladimir Ashkenazy conducting and piano. Berlioz, Beethoven, Shostakovich (Tue). (435 8111).

Opera and Ballet

Continued from Page 14

VIENNA

Staatsoper: Cavalleria Rusticana and Pagliacci conducted by Berney; Attila conducted by Mackerras with Chiara, Ghiaurov, Cappuccilli; Der Fliegende Holländer conducted by Schneider with Gessendorf, Lloyd. Staatsoper im Künstlerhaus: Die Weisse Rose conducted by Udo Zimmermann with Gabriele Fontana, Wolfgang Holzmair. (51 444/2655).

Volksoper: Hansel and Gretel; Fra Diavolo; Das Land des Lächelns; Wiener Blut. (51 444/2655).

NETHERLANDS

Amsterdam, Muziektheater. London's Royal Ballet with Mayerling: MacMillan/Liszt. (Mon, Tue, Wed 2 perfs). Mussorgski's Boris Godunov performed by the Netherlands Opera conducted by Hartmut Haenchen and directed by Harry Kupfer, with Robert Lloyd in the title role (Thur). (255 455).

Amsterdam, Carré. Der Bettelstudent: Karl Millöcker Operette (Tue to Thur). (225 225).

Nederlands Dans Theater with Heart's Labyrinth (Kylian/Schönberg), Children's Games (Kylian/Mahler), and a new ballet by Ed Wubbe. Tue in Nijmegen, Schouwburg (12 58 45), Thur in Scheveningen, Circus Theatre (55 88 00).

Scheveningen, Circus Theatre. The Royal Ballet of Flanders with Romeo and Juliet (Panov/Prokofiev). (Tue, Wed). (55 88 00).

Amsterdam, Meervaart. The Krisztina de Chatel dance group (Thur).

NEW YORK

Metropolitan Opera (Opera House): The week features La Clemenza di Tito conducted by James Levine in Jean-Pierre Ponnelle's production with Carol Vaness, Gail Robinson, Tatiana Troyanos, David Rendall and Julien Robbins; Tannhäuser conducted by James Levine in Otto Schenk's production with Jessye Norman, Eva Randova, Richard Cassilly and Jan-Hendrik Rootering; and Rigoletto conducted by Thomas Fulton in John Dexter's production with Mariella Devia, Sherrill Milnes, Dano Raffanti and Dimitri Kavrakos. Lincoln Center (362 6000).

WASHINGTON

Washington Opera (Terrace): Monteverdi's Coronation of Poppea directed by Christopher Alden and conducted by Nicholas McGegan puts Nero's Rome in a contemporary big-business setting with Emily Golden, Rodney Hardesty and Will Roy. The week includes Strauss's Wiener Blut starring Sheryl Woods in Zack Brown's 1980 production of Don Pasquale in a new production by Douglas Wager conducted by Cal Stewart Kellogg with Francois Loup in the title role, Pamela South as Norina and Gran Wilson as Ernesto. Kennedy Center (254 3695).

CHICAGO

Lyric Opera: La Bohème returns to the repertory with John Mauceri conducting John Copley's production with Gabriela Benackova, Giuliano Ciannella, Alan Titus and Paolo Washington. Ghena Dimitrova takes the title role in La Gioconda, conducted by Bruno Bartoletti in Filippo Crivelli's production with the Chicago City Ballet. (332 2244).

TOKYO

Tokyo Ballet Company in Maurice Béjart's The Kabuki adapted from the Kabuki play Revenge of the 47 Samurai. First Tokyo performance after European tour. Tokyo Bunka Kaikan (Wed). (723 3356).

Saleroom/Antony Thorncroft

Christie's burden eased

Christie's has amicably settled its legal battle with Cristallina, the investment company run by Mr Dimitry Jodidio, which has been giving *it so much trouble over the past* five years. The out-of-court settlement, which was reached in New York on Wednesday, will cost it a great deal of money — almost $2m in payment to Cristallina, and nearly as much again in legal costs — but if it *had lost the case the implications* would have been disastrous, and not only for Christie's.

Thus closes one of the most distasteful episodes in recent *saleroom history. Cristallina* is a Swiss-based company which speculates in art. It wanted to sell off some of its holding and Mr Jodidio approached Christie's, well aware that the company, recently established in New York, would be eager to handle the business, trimming its customary 10 per cent *charge to the vendor in the process.* In addition, the paintings sold were Impressionists, an area where Christie's has traditionally been bested by Sotheby's.

In the event, the 1982 sale was a shambles, with only one of the eight paintings finding a buyer and Cristallina well short of the $12m pre-sale estimate quoted by the hungry Christie's. To make matters worse, Christie's New York chairman, David Bathurst, lied after the auction, claiming that three pictures had sold. He was desperate to try to maintain confidence in the market and *Christie's reputation as effective* auctioneers.

This gave Cristallina its chance, and it sued Christie's for incompetence and asked for its $12m plus damages. The case was thrown out, but on appeal this month went before *a jury in New York.* What was at stake was the crucial issue as to whether a saleroom, through its quoted estimates, could guarantee a price to a *prospective seller.* If Christie's had lost, the whole basis of an auction — that prices depend on the conditions in the saleroom at the moment of the sale —would have been destroyed, at least in New York, and Christie's Sotheby's and the rest, might just as well pack up their bags and move on.

The feeling in the *trade* was that Christie's should have settled the case behind the scenes and avoided the publicity of the dirty washing and the outside chance that a jury might have brought in an oddball verdict. In the event, the compromise, although costly, does not change auction law *one little,* and Christie's, Sotheby's, Phillip's, etc. can get on with what seems like a promising year.

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Agenda for Lloyd's

THE REPORT of Sir Patrick Neill's committee of inquiry into the regulation of the Lloyd's insurance market is nothing if not double edged. On the one hand it commends the Council of Lloyd's for its energy, determination and reforming zeal, in the wake of successive scandals that have tarnished the market's reputation. On the other, it concludes that regulatory shortcomings in relation to outside members (or "names") have been so marked since the Lloyd's Act of 1982, as to make it impossible "to have total confidence that under the present constitution names' interests will always be given the priority which they deserve."

The verdict is no less damning for being delivered with a forked tongue. Among the more damaging assertions are that Lloyd's failed to honour a parliamentary undertaking to introduce a register of agents' charges on time. Its new standard agency agreement is seriously deficient in terms of safeguarding the interests of the names. Even more striking, in view of recent parliamentary and public concern on the issue, is that measures to prevent the abuse of conflicts of interest arising from so-called "parallel" syndicates were both late and ineffective. The conflict arises where managing agents or underwriters favour the interests of members of one syndicate over another in the same class of business.

Implicit model

Sir Patrick rightly identifies one of the key problems as being the way in which the balance of power at Lloyd's has been too heavily weighted in favour of the working members. And his central recommendation is that the number of working members on the Council of Lloyd's should be reduced so that they cease to have a majority, while the number of nominated members who have to be approved by the Governor of the Bank of England is doubled. This is all right as far as it goes. But it has to be said that the existing nominated members, who are regarded by the Neill committee as the most effective reformists on the Council, have not prevented the serious shortcomings identified in the report. The question is whether adding to their number is any more likely to improve the regulatory performance than, say, doubling the number of non-executive directors on a company board would improve its management.

There are those who argue that the record at Lloyd's indicates that there is no good reason why this self-regulatory body should be exempt from external supervision while other City markets are not. Indeed, the committee's terms of reference, which were to consider whether outside members enjoyed comparable protection to the provisions of the Financial Services Act, contain an implicit model: self-regulatory organisations like the Stock Exchange are now subject to external supervision by the new Securities and Investments Board.

Judicious combination

Neill argues, however, that to superimpose an authority on top of Lloyd's would be highly complicated because the Lloyd's market is not simply concerned with investors; the authority would have to cope with an inherent conflict between the interests of members and the interests of the policyholders. At present these conflicts are resolved by the Council. Most alternatives would arguably be cumbersome.

The committee also believes that other conflicts of interest in the market itself, such as those that arise when managing agents act as members' agents, can be handled by a judicious combination of increased disclosure and more competition. Compulsory separation is ruled out as needlessly draconian. And a series of more detailed recommendations, including proposals for an Ombudsman and improved complaints procedures, would certainly narrow the gap between the standards that apply in the securities markets and at Lloyd's.

Overall, the approach is pragmatic and, *faute de mieux*, the proposed changes to the Council deserve support. But it is hard to share the committee's optimism that they will, on their own, be sufficient to bolster the independence of the chief executive; his relationship with the chairman, a working member and a very powerful one at that, surely deserves a second look.

Empty words on currencies

THE FOREIGN exchange markets can hardly be blamed for taking a dim view of the latest Baker/Miyazawa "agreement" on economic co-operation. The statement from the two finance ministers is a jumble of vague generalities and contains, if anything, even less substance than the announcement of last October. Nor can the markets be blamed for recognising that the belated half point cut in the West German discount rate—and the promise of similar action in Tokyo next week—will do next to nothing to alleviate tensions in the world economy. The dollar's further sharp decline yesterday is perhaps a reflection of the gap between rhetoric about economic co-operation and action.

The question exercising many officials and private-sector economists is whether the dollar has yet depreciated enough—both in trade weighted terms and against the D-Mark and yen. Some economists claim that purchasing power parity calculations show that the dollar is already becoming undervalued. Others are more bearish and believe the dollar must fall further, especially against the yen. The bears worry about the US's transition from creditor to debtor nation; rapid productivity growth in Japanese manufacturing; and structural changes in world trade such as agricultural overcapacity.

Speed limit

Such debates are inherently sterile. There is no scientific way of calculating a "correct" value for the dollar. Indeed, the appropriate value of the dollar depends in part upon what depreciation is expected to achieve—and how quickly. If, say, the US Treasury were looking for a trade deficit of less than $50bn within three years, it would need a bigger depreciation than if it were looking for a deficit of $75bn. On the other hand, if the driving force behind dollar depreciation were the desire to head off a general import surcharge or protectionist legislation from Congress, the desired rate of decline might be different again.

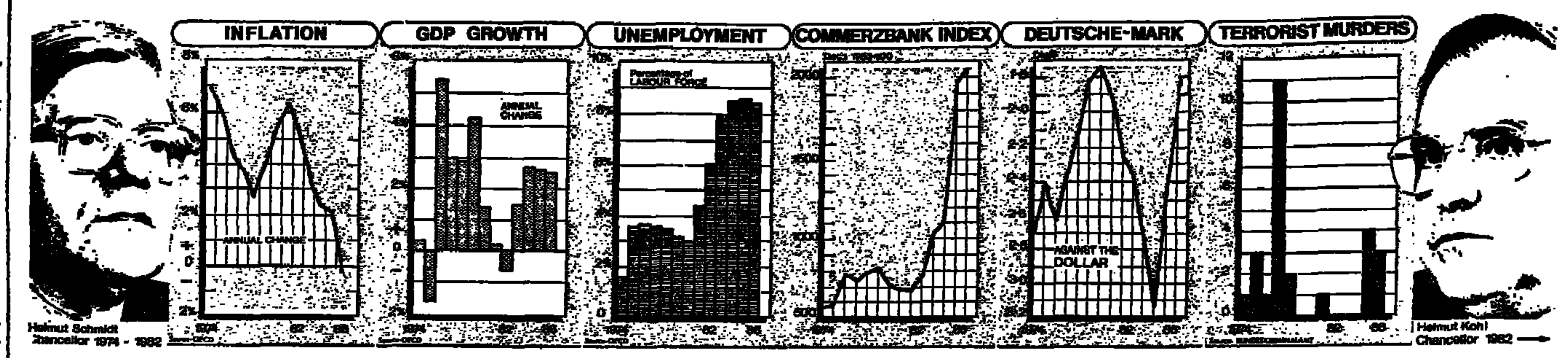
Officials and market participants ought to be able to reach agreement on some matters even if they cannot agree on the dollar's equilibrium value. The first obvious point is that excessively rapid currency adjustment is destabilising and often counter-productive: there is a limit to the speed with which companies can adjust to currency fluctuations. Efforts by Mr Paul Volcker at the US Federal Reserve to prevent a dollar free fall should thus be supported even by those who are not convinced by purchasing power parity arguments. If markets are to be calmed, however, it would help if the Reagan Administration and the Fed spoke with one voice on currency matters, and if there were less disagreement between US officials and those in Europe and Japan.

Deeper disorders

The second point is more fundamental: currency misalignments are only a symptom of deeper disorders. There is no point in governments trying to influence markets in a world of global capital mobility unless they are also willing to address macroeconomic problems *internal* to their economies. The counterpart to the current account imbalances which lie behind currency gyrations are the imbalances between saving and investment in the main economies: as is well known, the US is saving too little in relation to its investment and therefore having to borrow from abroad while Japan and West Germany are saving too much and are exporting capital.

It is difficult to alter private-sector saving behaviour quickly—as the Japanese are discovering. The same is less true of the public sector. If the Reagan Administration could be persuaded to cut the Federal budget deficit more rapidly, it would reduce public-sector dissaving and raise the US economy's overall saving rate. If West Germany and Japan simultaneously brought forward really sizeable tax cuts (of the order of several per cent of GNP), they would conversely be reducing the excessive saving in their economies. Fiscal tightening in the US offset by fiscal loosening in surplus countries is the way to tackle the underlying causes of currency disorder. The markets are right to remain sceptical until they see signs of genuine economic co-operation.

THE WEST GERMAN ELECTION



Kohl's victory crown may soon tarnish

By David Marsh in Bonn

MR HELMUT KOHL, the West German Chancellor, is a stolidly confident man not given to qualms. But as he heads for probable victory in Sunday's general election—against a backcloth of unrest on the foreign exchanges and concern over a possible economic slowdown—he could be forgiven for feeling a slight fluttering of unease.

Four years of Centre-Right coalition government—after the ousting of Mr Helmut Schmidt in October 1982—have confirmed the Federal Republic's reputation for political and economic stability—and dashed Mr Kohl's long-time image as a loser.

At the helm of the conservative Christian Democratic Union (CDU), Mr Kohl on Sunday night can be expected, according to the unanimous findings of the opinion polls, to bathe in the glow of a resounding victory over the opposition Social Democratic Party (SDP).

But his real problems could be just beginning.

The very ordinariness of Mr Kohl's reign since the 1982 breakdown of the 13-year coalition between the SPD and the Liberal Free Democratic Party (FDP) has proved his and West Germany's basic solidity. But the economic landscape is darkening with the collapse of the dollar and Bonn has been placed under new pressure over international terrorism following the kidnapping of a second West German company executive in Beirut on Tuesday.

With demands rising for action to solve these problems, Mr Kohl's finely-honed instinct for play-safe politics and the Government's reluctance to assume any sort of international leadership could start to work against him.

Yesterday's cut in the discount rate — far from being an electoral gift from the Bundesbank, which traditionally keeps out of politics — indicates how Mr Kohl's economic strategy risks being blown off course.

The move, accompanied by measures to rein in banking liquidity, runs counter to the policy declared by the Bundesbank only a month ago. But it was forced by the need to dampen upward pressure on the D-mark. This has started to pose a threat to the country's export-oriented economy and has continued in spite of the D-mark's revaluation within the European Monetary System (EMS) earlier this month.

Within the coalition, potential post-election squalls are also looming.

The FDP has come out in favour of bringing forward tax cuts—not due to be made until 1988—to give an impulse to the economy. This course is being stoutly resisted by Mr Gerhard Stoltenberg, CDU finance minister.

US pressure on Bonn to take stimulatory action is likely to intensify in the run-up to the Venice Summit in early summer, so tax cuts will have a priority on the coalition's agenda.

Mr Franz Josef Strauss, the querulous 71-year-old Bavarian Prime Minister and leader of Mr Kohl's coalition partners, the Christian Social Union (CSU), is making a last bid to return to a senior government post in Bonn.

Campaigning on a line of hardening Bonn's policies towards the Soviet bloc and liberalising West Germany's restrictive policies on arms exports (above all to Arab countries opposed to Israel), Mr Strauss wants to become Foreign Minister in place of the FDP's long-serving Mr Hans-Dietrich Genscher.

Probably, Mr Strauss will not succeed. His hurling of invective at the FDP during the election campaign has done the liberals good by focusing public attention on their role as a buffer against political excesses. There is little doubt that the FDP will pass the hurdle of 5 per cent of the votes needed to maintain a place in the Bundestag and in the coalition.

But the Strauss sniping has also underlined how too decisive a victory for the conservatives on Sunday—by weakening the FDP and strengthening Mr Kohl's rival from Munich—could, paradoxically, damage the Chancellor.

Mr Strauss has also provided one of the few memorable phrases of the election campaign by calling for the Federal Republic finally to step "out of the shadow of the Third Reich."

Although leadership is increasingly invested in those, like Mr Kohl, who were adolescents at the end of the war, the scars and the sensitivities left by the Nazi era remain strong.

The far Right, even in Bavaria, remains a tiny, if vocal, minority. The continuing sense of responsibility (not guilt) for the past provides a form of guarantee that West German politics should rest where it has been over the past 25 years of coalition government — firmly geared to the centre.

The dullness of the election campaign underlines how the country has slotted firmly into the post-war Western political mainstream. A possible slight fall on Sunday in the normally astonishingly high poll turnout—close to 90 per cent—for federal elections could signify (apart from difficulties caused by snow and ice) a healthy trend towards looking at politics and politicians in a less dutiful light.

The popularity of the Greens ecology party, campaigning on issues ranging from immediate closure of nuclear power stations and unilateral disarmament to equal rights for women and homosexuals, also illustrates this tendency.

But the entry of the Greens into the Bundestag in the 1983 elections which confirmed Mr Kohl in power, has provided an antidote to the staidness of professional politics.

The party may win close to 10 per cent of the poll on Sunday.

The checks and balances of the political system have had to cope with plenty of challenges during the past four years. The long trauma over deployment of medium-range nuclear missiles in 1983, a series of unsavoury political scandals, rising unemployment, sporadic terrorism and the Chernobyl nuclear accident have all given rise to heavy debate—but not as might have been the case in previous years, about whether political stability and tolerance were breaking down.

Rather, the Germans have been doing what they are almost as good at as manufacturing machine tools or high-speed cars—working out and explaining, in earnest and complex language, solutions based largely on consensus politics.

Ironically, in a country where elections follow a fixed four-year term rather than being called by the Government, the timing of the poll could hardly be more favourable to the present administration.

Mr Kohl and his sometimes unruly coalition have benefited from fortuitous external economic influences as well as from the almost painful disarray of the SPD.

Above all, two outside factors have been largely responsible for buoying up the recovery: an export boom aided by an, until recently, grossly over-valued dollar, and a sharp rise in consumer purchasing power stemming from the subsequent rise in the D-mark and fall in oil prices.

But although the economic upswing is in its fifth year, the picture is clouded by the Government's failure (partly because of the sharply rising numbers of people coming on to the labour market) to bring down unemployment from the present 2.2m.

But for Mr Kohl's standing in the polls, success in reducing inflation to negative rates for the first time since the 1950s is probably more important than the persistent worries over unemployment.

The disarray of the SDP can scarcely have harmed Mr Kohl's position. Battling against a politically conformist electorate, the SPD, after four years out of power, has a hard job trying to dislodge him. Electors have never voted a government out of office since the founding of the Federal Republic in 1949.

Instead, changes have been wrought by parliamentary switching of coalitions.

With the political ground taken, on the Left, by the Greens—who put forward more radical solutions in areas like nuclear energy—and, on the Right and in the centre, by the CDU and FDP, the SPD has had difficulty targeting its appeal to voters.

The SPD has adopted a centrist Chancellor-candidate in the form of Mr Johannes Rau. But at the same time it has shifted its policy stance in key areas like defence a good deal further to the Left than in the days of Mr Schmidt.

As short a time ago as last spring, Mr Rau was well ahead in the opinion polls after a series of political "affairs" left Mr Kohl looking weakened.

Curiously enough, the Government's star has been on the rise since the Chernobyl mishap in April. The accident brought to the surface the electorate's qualms over the environment—but also exposed contradictions in the SPD's policies over a nuclear *Ausstieg* (exit).

Meanwhile, in economic policy there has been little sign of the shift towards a more market-oriented economy promised four years ago. This reflects both Mr Kohl's innate caution and the difficulty of taking quick or thoroughgoing decisions in a government system dominated by federal politicking and the strong industrial lobby.

While the budget deficit has been cut, subsidies—especially to the problem areas of coal, steel and agriculture which look likely to cause more headaches after the elections—have increased.

Taxes and social contributions as a share of national output, even after a round of tax cuts last year, have remained at 44.8 per cent, the same proportion as in 1980-81.

On foreign policy there has been a similar story of continuity, despite the rhetoric of change. Mr Kohl, backed at a vital moment in 1983 by French President Francois Mitterrand, has pushed through Mr Schmidt's former policies on the deployment of Pershing and cruise missiles.

There have been less obvious disagreements with the US than during the Schmidt years. Yet the hawks in Washington still occasionally voice suspicion, just as they did under President Jimmy Carter, that Bonn is not spending enough on defence or is politically or economically too close to Moscow.

The main change in Bonn compared with the Schmidt era is somewhat paradoxical.

West Germany, by virtue of its economic recovery and swing from (temporary) current account deficit to massive surplus, has more economic power than before—but has far less idea of how to turn this into positive international political action.

Bonn has refused any form of "locomotive" — or even chief shunting engine — role for the world economy.

Over the question of reforming the EEC, it has sometimes been downright obstructive in areas like cutting agricultural surpluses, deregulating air transport or dismantling trade barriers.

West Germany's unwillingness to take any international initiatives may have been acceptable while the US was in a position to assert political leadership, but with the presidency weakened over the Iran weapons affair, and the American economy coming under increasing strain over the dollar, from now on it may be a different story.

Taking his lead from the formula used by Konrad Adenauer in the 1957 elections — "no experiments" (which earned the Right an absolute majority), Mr Kohl is campaigning on the slogan "weiter so, Deutschland" — more of the same.

That might be enough to win the elections — but not necessarily to keep Mr Kohl's new victor's image intact over the next four years.

Men and Matters

Don't ring us Europeans

A heartfelt plea for an EEC in which people will not get their lines crossed came yesterday from Unice, the European industrialists' federation.

The group sent a delegation to the European commission in Brussels to call for the urgent development of an EEC-wide telecommunications market in which all equipment will be compatible.

It may not have occurred to users of the national cellular car and radio telephone networks in North America and Britain that continental Europe is still divided technologically into a jigsaw of warring fiefdoms.

André Leyson, Unice's vice president, as well as the chief of the Belgo-German photographic firm Agfa-Gevaert, did not mind admitting that he has a personal interest in the whole affair.

Illustrating the problems encountered by consumers due to the current fragmentation of Europe's telecommunications markets, Leysen explained the difficulties he ran into when he tried to buy a car telephone.

The idea was to avoid wasting valuable business time during the long drive between his two factories in the Belgian city of Antwerp and Agfa-Gevaert's West German base in Cologne — just the sort of thing that car telephones were designed for, one would think.

But Leysen was dismayed to find that to be in touch with the outside world for the whole of his journey he would need not one, but three, car telephones. One would serve the Belgian network, the second would talk to him through the 35 kilometre part of the drive that passes through Holland, and the third would cover the final stretch through West Germany.

He was even more bemused when he heard that his group's US sales agent could reach any country in the EEC from just one car telephone anywhere in North America.

But Leysen's cellular telephone dealer was unmoved. Forget any prospect of European car telephones, he was told until 1992. That, apparently, is the magic date the EEC has set itself for the completion of a free internal market.

Hold on please — for five years.

Mark down

The exchange rate of the Mark has plummeted — the East German variety, that is. While the Deutsche Mark continues to rise against the dollar, sterling and other currencies, the non-convertible East German Mark, though officially pegged at DM 1, was worth only a paltry nine pfennigs yesterday in West Berlin.

Exchange bureaux there determine the rate according to supply and demand. A large increase in the number of young East Germans being allowed to visit relatives in the west may account for the greater supply of Marks being exchanged. Few East Germans come to the west without smuggling several well-worn banknotes in their clothing.

Dejected East German visitors outside one bureau in West Berlin yesterday found their 100 Mark bills fetching DM 9, compared with DM 14.50 last November, and DM 18 a year ago.

West Berliners planning to visit the east are able to buy one East German Mark on their side of the border for 12 pfennigs. Most of them acquire the currency before crossing into East Germany to go shopping or to give to relatives and friends, though it is illegal under East German law.

Some Westerners admitted they were speculating in East German Marks however. Their theory is that in such a small market even modest purchases will drive up the exchange rate and result in a healthy profit.

Long-lived

"The mastery of shorthand is the first step towards the realising of business ambition," says a Victorian poster at the 150th anniversary exhibition of the launching of Sir Isaac Pitman's renowned brand of shorthand at the Covent Garden offices of Pitman Publishing.

The sentiment may not ring many bells among today's aspiring business executives, but it has served Pitman well. From its origins as the developer of the world's most widely used shorthand system, the company has graduated into one of the biggest publishers of business, commercial and technical books, exporting its products and training courses to over 70 countries.

The company was family dominated until the early 1980s with members of the fourth generation of Pitman holding over 90 per cent of the equity. Pearson, owners of the Financial Times and Longman's the publishers, bought the core company, Pitman Publishing and Pitman Examination Institue in 1985.

The only member of the family now with the company is James Pitman, Sir Isaac's great, great grandson, now product manager of the company's computer publications. He acknowledged his debt to the past yesterday by dressing in Victorian clothes and sitting at the desk used by his forbear.

"... apparently some of those City dealers will do anything to get a phone that actually works"

Added weight

A breakaway union for ambulance crew has gained a doughty, not to say weighty, champion in the person of Liberal MP Mr Cyril Smith.

He has tabled a Commons motion, signed by 15 other MPs, calling on the Government to grant recognition at national level to the Association of Professional Ambulance Personnel.

Apap, set up after the 1982 health workers' dispute, claims to represent more than 5,400 of the 18,000 ambulance workers. But it has so far failed to win a voice in national negotiations, in spite of the fact that three other recognised unions are said to have fewer members among ambulance crews.

"What amazes me is that here we have a Government that supposedly defends the right of people to belong to a union of their choice, but it is too frightened of the other unions to take a stand," Smyth says.

His interest is not entirely impersonal, however. Both his brother Norman, currently mayor of Rochdale, and his agent, Rodney Stott, are ambulance drivers. As it happens, both are Apap members.

No leeks

Sign over the freezer in a Lambeth store: "The finest vegetables you ever thaw."

Observer

POLITICS TODAY

Banking on a lucky streak

By Malcolm Rutherford

NOT FOR a long time has the Conservative Party in the House of Commons been in such exultant mood as in the debate on the British economy last Tuesday. The reason was not that Mr Roy Hattersley, the Shadow Chancellor, gave a fairly dismal performance, though that helped. Nor was it that Mr Nigel Lawson, the real Chancellor, was particularly scintillating; he was not. It was the sheer relief that BTR had withdrawn its bid for Pilkington, an issue that was threatening to tear the Tory Party apart just when it seemed that it had united in pursuit of electoral victory.

Even Mr Norman Tebbit, the Party Chairman, admitted this week that he was still being surprised by the enormous role that luck plays in politics. This time last year the Tories were down. Now they are triumphantly up. Whatever is the opposite of banana skins, they have them in plenty. Yet curiously enough the signs are still not pointing towards a general election before October, though that is still possible. Instead there is a hardening of the mood to stick it out, to let Labour stew while Mr Hattersley's predictions that economic gloom and doom are just around the corner are proved false.

The manifesto for a Tory third term is not ready

It is very striking that Mr Cecil Parkinson, the man who as Chairman was as responsible as anyone for going to the country early in 1983, thinks that there is no need for urgency this time. There is no great uncertainty, he says, no pause in investment. The last thing that the Government should do is to give rise to accusations of panic by going too soon. It should stay through the summer while the economy further improves, unless there is any compelling reason otherwise.

Besides, the manifesto for the third term, which everyone agrees is of tremendous importance because it is the one that is meant to signal the end of socialism as the second force in British politics, is not nearly ready. It used to be said that the top of the party was divided into two groups: the radicals and the consolidators. As always when such hard and fast lines are drawn, a third group has emerged which might be called the developers. It includes Mr Tebbit, who, far from spitting fire and brimstone, is in rather a moderate mood at the moment.

Any good business, he says, using the fashionable language, needs "good non-executive directors," of which he is one. The others are Viscount Whitelaw and Mr John Biffen, the Leader of the House. Mr Tebbit claims that it would be a mistake for the manifesto to promise any sharp breaks with the past. Instead there should be a continuation and development of existing policies. Privatisation is obviously one. Another would be to expand the recent emphasis on education and to press ahead with reforming the town halls.

Incidentally, Mr Tebbit still very much hankers after the succession to Mrs Thatcher. He has given a lot of thought, he says, to the reform of the machinery of government, something in which she has shown little interest, though he reckons he might be more cautious if he were in No 10 Downing Street.

The main point, however, is that there is no evidence to support the claims of the opposition parties that the Government is preparing for a quick election after the Budget on March 17, in spite of the air of bustle at Tory Central Office. If it is, it will need to get its skates on. It could be done, but it seems no more than a contingency plan.

Where the Conservatives are united is in their determination to concentrate their fire on Mr Hattersley. Having long been regarded as a moderate in the Labour Party, the Shadow Chancellor has recently emerged as a much more aggressive figure. He has begun to lead the Labour assault on misconduct in the City. He forecasts serious balance of payments problems in the near future and in his speech on Tuesday he had not a good word to say for anything the Government has done.

" Roy Hattersley is a soft target—a figure of fun," says Norman Tebbit

The attacks on Mr Hattersley are likely to intensify after the publication of his new book, "Choose Freedom: the future for Democratic Socialism," next week. In its calls for the radical redistribution of wealth and the abolition of private medicine and private education, it does not read like the work either of a Labour middle-of-the-roader or of an astute politician.

"Hattersley," says Mr Tebbit, "is a soft target — a figure of fun." Others say the same thing: one reason for delaying the election is to expose his predictions of economic disaster and "to make Hattersley look a Charlie." Not since the heyday of Mr Tony Benn has one heard such a concentration of Tory venom on one man.

Mr Neil Kinnock, the Labour leader, is seen in Central Office as a good target, though one which has to be handled in a different way. He is given considerable credit for having tried to shift the political debate in the past few weeks away from defence and the so-called "loony town halls," where Labour is vulnerable, to such subjects as the old and the cold, the abuses in the City and the BTR bid for Pilkington, even if the Government did more or less pre-empt him on the heating payments. But, says Mr Tebbit, defence and the loony town halls are the long-term runners.

Yet there is a caveat. Not all the Labour town halls are loony, or not completely. Sheffield, for example, cannot be accused of having a huge stock of empty housing. The rubbish is picked up and the rents are collected. It is also led by one of the Labour Party's genuine stars, Mr David Blunkett. Moreover, Labour will hold a weekend conference next month on local government in Leeds which will emphasise how effective Labour town halls can be and dismiss places such as Brent as exceptional.

The Tory Party is sufficiently worried about this to have its officials scouring the records to discover which councils, however good their housing record, may also have a homosexual play school or some other excess. The town halls, in the end, may be a factor working in the Labour interest, if the party can dissociate itself from the extremes.

There is, of course, also the trouble that so nearly came to a head among Conservatives over Pilkington, and which was averted only by Sir Owen Green of BTR withdrawing his bid. Any analysis of what happened can hardly fail to conclude that although the Tory Party may seem to have pulled itself together, it is ready enough to divide again whenever an issue like that arises.

"Thatcherism," said one former Trade and Industry Secretary (there are a lot of them about), "is still only skin-deep." The Government, he said, may have become more sure-footed since the Westland affair last year, but the Party has not. "Never underestimate its capacity to get things wrong."

A report in The Guardian that one senior Cabinet Minister said he had never even heard of BTR until the political storm broke seemed worth checking. One answer given was that perhaps a dozen members of the Cabinet did not know who Sir Owen Green was until the crisis was upon them.

What happened was very similar to the outburst against the possible takeover of Austin Rover by the Ford Motor Company last year, although in the case of Pilkington there was no question of a takeover by a foreign group nor of a threat to competition. Yet when Mr Paul Channon, the Trade and Industry Secretary, made his statement last week that there would be no reference to the Monopolies and Mergers Commission, hardly a Tory rose to support him. Instead there was an outbreak of rage and sentimentality that gallant little Pilkington—"the best in the world"—might be taken over by a conglomerate with a successful track record.

It was as though Thatcherism has yet to take root in her own party and the Tory indignation continued even in Tuesday's debate after the bid had been withdrawn. It was not just Mr Edward Heath, the former leader, and to some extent Mr Michael Heseltine, the former Defence Secretary; it was some of the younger members as well. There could be no clearer indication that the Tory Party as a whole is still not fully committed to market forces. Given the chance, the Party could well fall back into the old interventionist ways, which is presumably what the radicals are trying to prevent in the manifesto.

Yet, having driven the Tories to the brink of strife, Sir Owen kindly left the stage when Pilkington raised its profits forecast, and the Party was saved again. Mr Tebbit says that it is not just a matter of luck: when a Government has a winning streak, it develops self-confidence and begins to make its own luck. That is what is happening now, but on Pilkington it was touch and go.

Important decisions are due on industrial policy

There are many more important decisions on industrial policy to come before the general election: notably on the future of the Rover Group, a body which under its various names has resisted government attempts at a cure since the Tories came to office in 1979.

Mr Channon, one is sure, would like to find a solution in the next few months—one which goes beyond simply giving the company more money, though money will undoubtedly be given. He has not had an easy ride since he became Secretary of State a year ago, and the Tory share of luck has not fallen to him. It is too late to move him now, but a lot will depend on his performance and that of his department.

He will be up against not Mr Hattersley, but Mr John Smith, the Shadow Secretary whom the Tories most fear.

EEC Tariffs

Preserving the Atlantic peace

By Clayton Yeutter

THE NEW YEAR was rung in with alarm bells this year as cries of "Trade war!" spread across the Atlantic.

But thosse who cried out seem to have missed seeing the first shot of the war. It occurred last March when the European Community stopped US sales of corn and sorghum to Spain by raising tariffs to nearly 200 per cent or more than $400m (£264m) of US trade.

Since then, we in the US have tried to negotiate the compensation that the Community is required to provide to the US under the rules of the General Agreement on Tariffs and Trade (Gatt). In July, we agreed to resolve the issue by the end of the year, but nothing even approaching an adequate compensation offer has yet emerged.

President Reagan's announcement that 200 per cent duties soon would be applied to imports of gin, brandy, wine, cheese and other products from the Community will actually mirror the actions taken by Brussels last year. Under international rules we could have taken this action then, but we wanted a negotiated solution — and we still do.

The way to avoid a trade war is for the Community to fulfill its Gatt obligation. Our goal is to continue to sell US feed grains in Europe, not to stop sales in the US of European products that American consumers enjoy.

Compensation

This dispute is much simpler than one might think. When Spain came into the EEC its 20 per cent tariff on feed grains was replaced with the Community's variable levy, which changes daily but is now in the 150 per cent range. An increase of that magnitude is bound to affect imports dramatically—and it has. US feed grain exports to Spain have essentially stopped. Unfortunately, Brussels' compensation offer so far amounts to only about 30 cents on the dollar.

The Community has attempted to justify its offer by arguing that we should give it credit for reducing tariffs in Spain and Portugal on some industrial products, as part of the accession. There is no provision in the Gatt for granting such credits, but put that aside. The crucial point is that the US will not benefit from the lower industrial tariffs.

Though some tariffs facing exporters of industrial products from the US to Spain will decline, they will decline even more for exporters from the rest of the Community. In fact, they will go to zero for other EEC countries, giving their companies a new-found advantage over US exporters. Who do you think will benefit from that scenario? It will assuredly not be the US; past history supports that conclusion.

Trade loss

Our insistence on receiving full compensation for our farmers' $400m trade loss should not be hard to understand. But perhaps some of the fault here is ours. In past enlargements of the Community, we did not insist on full compensation. We felt that the small trade losses involved in earlier accessions were dwarfed by the importance of preserving peace in the Atlantic alliance. In addition, we then enjoyed a positive trade balance with Europe.

So maybe it is understandable that the leaders in Brussels thought we were not serious in insisting this time upon full compensation. This time, however, is different. Our trade loss is not small; it is nearly half a billion dollars. And we are running a $170bn trade deficit, including nearly $30bn with western Europe. That creates enormous economic and political pressures here in the US.

Perhaps this time, instead of having the US forgo its rights in the interest of preserving harmony in the alliance, the Community might want to observe its Gatt obligations for the same reason. After all, a long-lasting friendship requires that all parties equally share the burden of making it work.

Mr Clayton Yeutter is the US Trade Representative.

Letters to the Editor

Regulatory mechanisms

From the Chairman, Wider Share Ownership Council

Sir,—You are probably right in saying (January 15) that the regulatory mechanisms necessary for dealing with the abuses which you mention in connection with recent takeover bids are already in place and all that is required is a determination to make them work. Certainly the structure created by the Financial Services Act appeared to this council to be sensible and broadly adequate for general regulatory purposes.

It is also true that the Takeover Panel seems to have lost much of the authority which it enjoyed only a few years ago. I recall that when I was a member of the panel it used to be said of its then chairman, Lord Shawcross, that he could burn up a bent financier at 20 paces. To defy the panel was something City institutions simply did not do.

The panel may indeed require, and should no doubt have, statutory backing comparable to that of the Securities and Investments Board. Matters have now reached a stage, however, where the abuses of contested takeover bids are just not going to be prevented within the framework of the present system. These activities have become so widespread and so entrenched that the City finds it impossible to abjure them, even though they give much aid and comfort to its enemies and render the imposition of complete statutory regulation more likely.

Some dramatic measure therefore needs to be taken, and the obvious such step, already advocated in several quarters, is to refer all contested bids to the Monopolies Commission and make the "public interest" criterion of that body positive instead of negative. If every predator had to show that the acquisition of the target company was in the public interest the problem would vanish overnight. It is indeed a pity that something of this kind was not foreshadowed by referral of the bid for Pilkington.

I am well aware that this is a very rough and ready solution, and should probably be regarded only as an interim measure. Considerable refinement would no doubt be desirable. But this could be undertaken at leisure.

Edgar Palamountain,
94 St Paul's Churchyard, EC4.

A tax on the attacker

From Mr N. Chetwood

Sir, — The spate of takeover bids in the last few years, culminating in the recent one by BTR for Pilkington, has surely highlighted the advantages the bidder has over its, usually reluctant, prey.

The bidding company either wins the day and achieves its objective or loses (or withdraws) and then almost invariably sells at a large profit the considerable number of shares in the attacked company which it has purchased before or in the course of the bid. Either way the bidding company gains.

The attacked company, however, is either swallowed up against its will, or, if successful in defeating the bid, has been forced to incur huge costs and expenses in its defence which it cannot recover from the company which made the unwanted bid. Either way the attacked company loses.

For starters I would like to propose the following. That a bidding company should be legally liable for all the costs and expenses incurred by the attacked company in fighting off a bid. (A successful defendant in a court case is normally awarded costs.) That a tax of 50 per cent (or more) should be payable on the profit made by a defeated or withdrawing bidder on the sale (or value at the time) of the shares of the attacked company held by the bidding company or its associates.

Noel Chetwood.
21 Upper Carlisle Road, Eastbourne, Sussex

Why the City exists

From Mr C. Croot

Sir,—I was troubled by Dr Furtmuller's letter of January 21. He seemed to me to be expressing a basic misconception of the City's activities and function in British and international society.

I suggest to him that he might give thought to these points: The City does not exist because a government in the past decreed that it should be created: it exists and has developed over many years simply because there was a need for it. Those who work and operate in the City do so because, for one reason or another, it is attractive for them to do so. The net contribution to the national economy of their combined activities amounts to around £7bn a year, which cannot be bad. If steps are taken that make it unattractive for people to work or operate in the City they will turn their energies elsewhere. To every action there is an equal and opposite reaction.

Let us make it very unattractive indeed for anybody who acts improperly in the City but let us think very hard indeed before we tamper with its operation.

Charles Croot.
131 Thomas More House, Barbican, EC2

A real success in global trade liberalisation

From the Director of Studies, Trade Policy Research Centre

Sir,—Mr Montagnon reports (January 16) three main propositions in his discussion of Diana Tussie's new book: (i) that "GATT or no GATT, developing countries have become squeezed out of" international trade; (ii) that it is not so much the GATT as capital mobility and technological advance that have promoted the growth of world trade, "a process that has largely passed developing countries by"; and (iii) that the "one real hope" for the developing countries is to mount a renewed effort at promoting trade among themselves, this time concentrating on "those products best suited to thriving international commerce" or, in other words, on intra-industry trade. None of these propositions withstands scrutiny.

The one real success in global trade liberalisation since World War II has been in manufactures, which has also been the most dynamic component of world trade in goods. But, far from being squeezed out, exports of manufactures from developing countries have grown faster than those of the world as a whole since the early 1960s. The share of developing countries in world exports of manufactures rose from 7 per cent to 12.5 per cent between 1973 and 1985. Why, then, do so many Latin American officials and economists miss the truth that developing countries are very successfully squeezing themselves into world trade in manufactures? The reason is that the success was largely achieved by East Asian developing economies (despite being the principal targets of protection). It is not well known, perhaps, that gross exports of manufactures from the Republic of Korea or Hong Kong exceed those of all Latin American countries combined.

It is true that bargaining in the GATT is biased against developing countries, but one reason has been the resolute refusal of most of them even to participate in it. Nevertheless, since tariff concessions have been made available on a non-discriminatory basis (quite apart from the existence of generalised preferences) it has been impossible to exclude developing countries from the benefits of liberalisation. The growth of intra-industry trade is not independent of trade liberalisation. Such trade grows when barriers to trade are quite low. It is no accident that the phenomenon was first noted in the context of the liberalisation within western Europe that occurred in the 1950s and 1960s.

None of the successful developing country exporters of manufactures has followed policies that discriminate in favour of trade with other developing countries. The idea behind such discriminatory schemes has been that countries whose exports of manufactures are uncompetitive in world markets should try, through mutual preferences, to offload their surpluses on one another at prices well above world levels. Such mutual exploitation is certain to breed a perception of unfairness and, consequently, these schemes have all tended to break down.

The best way of promoting economically beneficial trade among developing countries is via a general liberalisation of their trade barriers, which are almost always biased against imports of products in which other developing countries are competitive, because they are the very products in which import substitution seems most feasible.

Some policy makers in developing countries have begun to realise that their countries need to participate more fully in the GATT process if they are to protect their vital interest in continued and improved access to markets in developed countries. The Uruguay round represents a major opportunity for such participation. It would be unfortunate if, after having learned from experience that they can compete effectively in world markets, the developing countries were encouraged to drink the old wine of export pessimism from elegant new bottles.

Martin Wolf.
1 Gough Square, EC4.

FINANCIAL TIMES

Friday January 23 1987

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LONG-TERM BENEFITS OF $4BN PARIS CLUB DEBT RESCHEDULING MAY BE LIMITED

Brazil's debt still worries banks

BY ALEXANDER NICOLL IN LONDON AND IVO DAWNAY IN RIO DE JANEIRO

BANKERS yesterday joined Brazilian officials in welcoming Wednesday's agreement by the Paris Club grouping of sovereign creditors to reschedule $4bn of Brazil's debt to foreign governments. But they voiced considerable caution about the outlook for further progress in the country's debt talks.

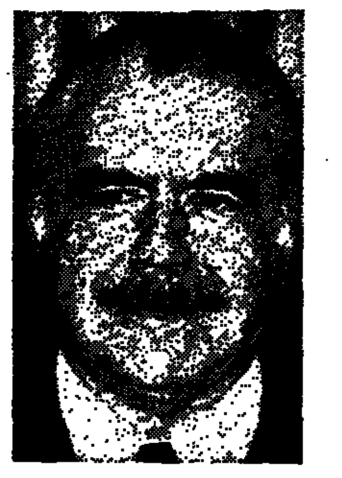
The most obvious effect of the Paris Club accord is that Brazil's demands for fresh loans from creditors this year will be reduced. The total likely to be sought from all sources this year appears to be settling at about $4bn, and any agreement to stretch out repayments due this year cuts that total.

Brazil's advisory committee of major bank creditors is expected to meet Brazilian officials within the next few weeks to discuss rescheduling and a new loan.

Bankers, however, remain concerned about deteriorating Brazilian trade figures and about the Government's persistent refusal to arrange an economic programme supervised by the IMF.

Not surprisingly, the Paris Club's agreement for the first time to reschedule debt without the comfort of a conventional IMF accord was greeted with delight in Brazil yesterday. Mr Dilson Funaro, the Finance Minister, said it was "a great victory for Brazil and the creditor countries," and demonstrated "maturity, courage and firmness" in the negotiations. President Jose Sarney said the accord showed Brazil was "on the right path."

Mr Dilson Funaro



President Jose Sarney

Bankers in New York and London said the beneficial effects would be limited, however. The absence of an IMF programme meant it was virtually out of the question that banks would consider any request for a multi-year rescheduling agreement (Myra).

The committee's ability to muster support among other creditor banks even for a one year package is also likely to be inhibited by the trade and IMF concerns.

Moreover, bankers noted that Brazil did not obtain all it wanted. Creditor governments agreed to reschedule $3.27bn of principal and interest payments, overdue from 1985 and 1986. The rescheduling of first half 1987 principal payments was also agreed, but subject to the condition that Brazil becomes current on all overdue payments by July. Principal due in second half 1987, and interest due for the whole year, have not been rescheduled.

The future treatment of 1987 payments is tied firmly to Brazil's economic performance as reported by the IMF economic team which will visit the country later this year for regular "Article Four" consultations.

Although Brazil has refused a full-scale IMF programme, it does appear to have taken a small step towards reconciliation with the Fund. Late last year, it is understood to have discreetly agreed with the Fund that Article Four consultations will take place more than once in a 12-month period – though this is understood to be not as frequently as twice a year. Annual consultations are the normal practice.

This compromise, which will enable the Paris Club to receive a new report from the IMF before it addresses the remaining 1987 payments, is being termed an "enhanced relationship," by contrast with the more rigorous "enhanced surveillance" which has been agreed for example with Venezuela to help back a Myra.

One banker described the Paris Club as putting Brazil's debt arrangements into a holding pattern.

Trade surplus improves

BRAZIL'S trade surplus in December totalled $156m, a marginal improvement on the previous month, but more than $1bn less than the same period last year, it was announced yesterday.

The third successive poor result has left Brazil with a year-end total surplus of $9.53bn, almost $3bn less than the $12.48bn achieved last year which early forecasts had hoped to match or surpass.

Concern both at home and abroad over the deterioration of Brazil's current account position has been mounting recently alongside worries over growing inflation rates.

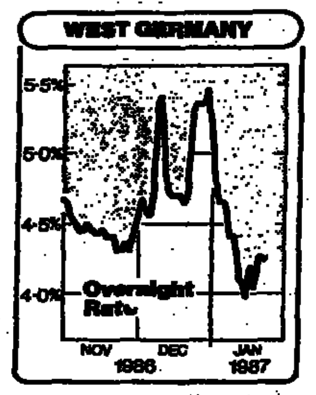
The December outcome makes Brazil's trading performance in 1986 the worst for three years, despite competitive advantages brought through a lower valued dollar and a heavily reduced bill for oil imports.

Mr Roberto Fendt, director of the Government's Foreign Trade Agency, Cacex, attributed the downturn yesterday to the growth of imports, fuelled by high domestic demand, and poor commodity prices and sales.

THE LEX COLUMN

Slush funds at the Bundesbank

There is no question about the Bundesbank's ability to come up with an artful solution to a problem. Yesterday's ½ percentage point cut in the discount rate to 3 per cent will mean as much or as little as the Bundesbank wants it to. Unless money market rates are brought down as well, the effect on the currency will be negligible, as the previous cut showed. And those money rates will now be even more in the control of the central bank. The proposed DM 8bn cut in rediscount quotas and the rise in banks' minimum reserves will take perhaps DM 12bn out of the system which can be replaced completely, partially or not at all, by the Bundesbank offering securities repurchase tenders at 3.8 per cent.



More important than the technicalities is the Bundesbank's concession to international pressure. No doubt a Japanese discount rate cut will follow. But the last thing the Germans will want to see now is a further US interest rate cut. Yesterday's fourth-quarter US GNP figure, showing only a 1.7 per cent rise, kept the dollar falling. If a sluggish economy, despite the boost in activity prior to tax reform, calls forth a stimulus from cheaper money we will be back where we started.

ECC/Bryant

Having recognised that the strength of its profits forecast did not ensure safety – because the rising profits appeared to solve English China Clays' dilution problem – Bryant has come back with an argument designed to show that the profits might be there, but not in a form that shareholders of an acquiring company could enjoy.

Bryant's Fork presents the directors of China Clays with a delemma: either they take Bryant's assets in at full valuation, leading to a goodwill amortisation of anything up to £15m a year, or they sink the surplus over book value somewhere in the reserves, infringing the accounting standards on such matters. Fortunately for China Clays, it should be possible to avoid both prongs of the supposed choice. Although the valuation of Bryant's land bank must be well above the historic book value, no acquirer would be likely to write it up to the level presented by Bryant in the course of a defence. That would be a type of self-mutilation unknown in the annals of acquisition accounting.

Since so many institutions have already voted by taking cash in the market, Bryant must now rely on frightening those who would otherwise elect to take China Clay's paper. It seems a rather desperate throw. But in any case, shareholders should at least question whether they believe the forecast; there could be a case for giving Bryant some more rope.

Gestetner

Gestetner's typically patchy year may have been a disappointing swansong for the family, but the market was far more interested in the new Australian managers from AFP who are keeping the company on a turnround multiple of 18. The slight slip in the price to 217p probably had less to do with Gestetner's failure to meet its forecast than AFP's implicit admission that the knots were more complex than it had hoped.

AFP did not have a fully-fledged strategy to unveil but did have some plans: to fill up the renowned distribution system with other people's products and stick the Gestetner badge on them; rely less on direct selling and more on dealers and franchising; and cut Gestetner's own software. More important for the current year will be stock reduction and a lower tax rate from cleverer juggling of transfer prices – which could help bring in up to £15m pre-tax.

With over 50 per cent of Gestetner's shares changing hands since the buy-in, and up to 25 per cent now in Australian hands, expectations are high AFP will pay up some of its loan stock and go after acquisitions. In the meantime it may not bode well that new product development remains in the same Gestetner hands that failed to find any for decades.

Investment banking

Amid the City of London carnage that has resulted from the Guinness debacle, it is quite difficult to remember just what a wonderful business investment banking can be when everything works. Though Salomon Brothers has lately been paying the price of pell-mell expansion, the figures from Morgan Stanley and from Shearson demonstrate that controlled expansion is still a possibility. Shearson's net income increased by a modest 57 per cent last year to $316m, while Morgan Stanley – with its own initial public offering underpinning the increased scale of operations – achieved a 90 per cent increase, to $202m for the year.

Compared with the conglomerates of the new City, both houses have an enviably broad spread of businesses, which have all grown up under the same roof over a long period; the problem of integration does not arise in the acute form that is such a headache in London. For Morgan Stanley, at least, the benefits of long-matured globalisation plans are flooding through as revenues, where some competitors have little to show but the growth of costs.

Argyll/Guinness

With the example of Guinness so firmly before his mind, it is remarkable how boundless the ambition of Mr Gulliver still seems to be. With the Safeway deal presumably just about wrapped up and ready for financing, he appears undecided whether to sue the hide off Guinness or make a bid for it. One thing seems clear, however, in the present climate, two takeovers at a time from Argyll would be more than the market could stand.

ITC wins first round against creditors

By Raymond Hughes and Andrew Gowers in London

THE International Tin Council (ITC) has won the first skirmish in the litigation brought against it by creditors following its collapse with debts worth hundreds of millions of pounds more than a year ago.

The High Court in London ruled yesterday that the 22-nation price support body was immune from the English courts' winding-up jurisdiction, and struck out a petition by Amalgamated Metal Trading (AMT), a London trader, seeking the compulsory winding up of the ITC.

Mr Justice Millett said that the failure of an international organisation such as the council to meet its obligations was without precedent. He suggested that "the responsible course" would be for member states to negotiate a settlement of the ITC's debts. Failing that, the judge said, it would be for Parliament to decide whether the UK should act unilaterally to enable the ITC to be wound up in England.

The ruling – the first in a long series of cases arising from the tin crisis – is expected to be challenged in the Court of Appeal, and the case is likely to go all the way to the House of Lords for a final judgment.

Member governments of the ITC also face a growing number of lawsuits from creditor banks and metal brokers seeking to recover losses of up to £500 ($750m) sustained as a result of the council's effective default in the tin market in October 1985. The UK Government, which backed the ITC in yesterday's case, denies that member states are legally liable for the debts.

AMT and other metal traders with an interest in the outcome of the case did not seem daunted by yesterday's decision.

"This is only round one," said Mr Michael Arnold, an accountant who is co-ordinating creditor brokers in a group known as Tinco Realisations. He added that the case had no bearing on the direct actions being brought separately by brokers and banks.

Tinco has also stepped up pressure on the UK Government to reach an out-of-court settlement. It has submitted figures to the Treasury claiming to show that settling would cost Britain only £20m, while failing to do so could cause a net Exchequer cost of £200m as a result of lost taxes.

Boeing alters strategy to offer engine choice on 7J7 airliner

BY MICHAEL DONNE IN LONDON

BOEING, the US aircraft manufacturer, will offer its new 7J7 short-to-medium range airliner for sale this spring with a choice of either a "prop-fan" engine built by General Electric of the US, or an advanced jet engine, called the Superfan, to be developed by the International Aero Engines consortium, in which Rolls-Royce is a 30 per cent shareholder.

A formal announcement of this major change in Boeing's marketing strategy for its long-awaited new airliner is expected today from the company's Seattle headquarters.

Boeing had been expected to offer two new airliners, both prop-fans, one seating upwards of 150 passengers and the other about 100-110 passengers. Both would enter service in the early 1990s.

This strategy has changed. Boeing has dropped the idea of a 100-110 prop-fan airliner, and will concentrate in this small airliner field on a derivative of its current 737-300 and 737-400 turbo-fan (jet) models, which have been selling well. Boeing does not want to upset this success story. This new model 737 will become available in 1991.

But Boeing will pursue its plans in the market for 150-plus seater airliners. This will allow purchasing airlines to choose between two aircraft: One equipped with a rear-fuselage mounted prop-fan engine, using the US General Electric GE-36 engine now under development the other using under-wing engines with the new Superfan advanced technology jet engine, which is proposed by Rolls-Royce and Pratt & Whitney of the US through the International Aero Engines consortium. The 7J7 would be available in 1992.

Boeing will effectively be asking the airlines to determine what advanced technology 150-Plus seater airliner they want. If most airlines choose the GE rear-fuselage prop-fan type, Boeing will build it. If a majority want the IAE under-wing Superfan, the company will build the aircraft with that engine.

Boeing's dilemma, however, will be that if market choice divides evenly it will either have to offer its 7J7 with both types of engine or decide itself which to build on grounds of cost and potential market.

Boeing is clearly hoping the airlines will make a definitive choice. The cost of offering two radically different types of engine in one airframe would be substantial, if not prohibitive.

Boeing is understood to believe that the improved fuel consumption of the GE prop-fan engine, now being flight tested makes it the better bet. But the company has recognised that the Superfan engine, although so far only a concept, also has much to offer, and believes the airlines must make the final choice.

The 7J7 150-plus seater will be a twin-aisle aircraft, with a fuselage diameter of about 188 inches.

Boeing believes despite uncertainties about the types of engine to be used, the advanced technology involved in the aircraft in other areas – such as advanced composite materials and new avionics systems – will ensure that it will be far enough ahead of the rival European Airbus A-320 (for which there are already 437 orders and options) to justify the cost of the venture.

British Airways privatisation, Page 8

Standard Chartered restructures management

By David Lascelles in London

STANDARD CHARTERED, the London-based international bank which last year fought off a takeover bid from Lloyds Bank of the UK, yesterday restructured its top management and launched a major drive to raise profits.

At the same time, Mr Michael McWilliam, the chief executive, warned that its 1986 profits were likely to be disappointing because of heavy losses suffered by the bank on loans to troubled shipping and industrial borrowers in the Far East.

The management changes centre on an enlarged executive committee consisting of executive directors and senior general managers responsible for the bank's major activities and geographical regions.

Mr McWilliam said the changes and appointments "are designed to produce a clearer chain of authority in managing a large international business and to express our determination to improve operational efficiency after a difficult year."

The executive directors include Mr Alan Orsich (international treasury, trading and Eurocurrency), Mr David Millar (commercial banking), Mr Richard Stein (finance and administration). The senior general managers are Mr Bill Brown (Asia Pacific), Mr Alan Wren (Africa, Middle East, South Asia, export finance). Mr Patrick Macdougall, the chief executive of Standard Chartered Merchant Bank is also a member.

Mr McWilliam said he was confident Standard Chartered would improve its profits during 1987. But the 1986 results, due in March, will disappoint expectations because of substantial provisions made against bad debts.

These included Standard's exposure to the troubled Wah Kwong and Tung shipping groups, and Pan-Electric Industries which went into receivership in Singapore's worst company collapse last year. Standard also has a deposit with the National Bank of Brunei, which was closed by the Brunei Government last year. According to Mr McWilliam, it amounts to less than £10m ($15.1m).

Mr McWilliam said the bank's major shareholders, who came to its rescue last year during the Lloyds bid, were "supportive" of yesterday's changes, and he denied speculation about a possible group break-up. Altogether, he said, Standard Chartered believed that between 30 and 35 per cent of its shares were now in friendly hands.

Battening down the hatches, Page 8

Lloyd's must make up to 70 reforms

Continued from Page 1

He said the move would represent "evolution, not revolution." Lloyd's would start work at once on examining all the report's recommendations "with the intention of securing with all possible speed improvements in the areas identified."

Mr Miller refused to speculate on whether the report would lead to fesh calls for statutory regulation of Lloyd's. "If people want to play politics with one of Britain's great national institutions, there's nothing I can do to stop them," he said.

Mr Ian Hay Davison, the former chief executive of Lloyd's who resigned last year, said that if implemented the report would be "a major step forward in the regulation of Lloyd's. It goes far beyond anything achievable when I was there." Mr Davison was closely identified with the post-1982 Lloyd's reforms.

Financial issues will remain at the political forefront in the UK next week as the Labour opposition has decided to initiate a full day debate in Parliament next Tuesday which will involve a detailed statement of the Government's position.

Banker resigns over Guinness

Continued from Page 1

the aim of boosting its share price artificially during its takeover battle for Distillers last year. Mr Ronson claimed that he was first approached by a "representative of eminent brokers acting for Guinness."

The two stockbrokers acting for Guinness, Wood Mackenzie and Cazenove and Co, both denied any approach to Mr Ronson. Cazenove said yesterday: "In view of press speculation Cazenove and Co wish to make it clear that they are not the brokers referred to in this letter." Mr Ronson's public relations adviser suggested on Wednesday night that "it was reasonable to assume" that Cazenove was the firm implicated.

The credibility of Mr Ronson's claim however was damaged yesterday by an admission by Mr Tony Parnes, who is Mr Gerald Ronson's own stockbroker, that he was probably the stockbroker referred to in the letter.

Mr Parnes, who is self-employed, is an associate of the stockbroking firm Alexanders Laing and Cruickshank. ALC yesterday repeated that it had never acted as Guinness's stockbroker and one director said that Mr Ronson was well aware of that fact.

Mr Ronson's claim that he was approached by "eminent brokers acting for Guinness" forms the main part of his case that it did not cross his mind that any illegal course of action was being proposed.

Mr Ronson may have infringed the Companies Act as an accessory. The Act prohibits a company from giving financial assistance to the purchasers of its own shares, except in limited circumstances.

Mr Ronson might well argue that he thought Mr Ernest Saunders, the dismissed Guinness chief executive, was acting in good faith and in Guinness's best interests when he confirmed the deal with Mr Ronson.

Mr Harry Dobin, a Heron director, refused to answer any questions yesterday on Mr Ronson's letter or his involvement in the affair.

Sir Nicholas Goodison, chairman of the Stock Exchange, yesterday wrote to Mr Ronson asking him to disclose the name of the stockbroking firm which approached him.

Sir Nicholas said he was acting in his regulatory capacity with responsibility for the securities market.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	13	55	Dubrovnik	S	8	46	Malta	F	14	57	Rhodes	F	13	55
Algiers	S	15	59	Edinburgh	S	9	48	Manchester	Fg	5	41	Rio de J'o	C	34	93
Amsterdam	Fg	3	37	Faro	F	12	54	Manila	S	31	88	Rome	S	11	52
Athens	F	9	48	Florence	S	7	45	Melbourne	F	17	63	Salzburg	C	-6	21
Bahrain	S	20	68	Frankfurt	R	-6	21	Mexico City	S	24	75	San Francisco	C	14	58
Bangkok	S	33	91	Funchal	R	16	61	Miami	S	27	80	Seoul	C	8	46
Barcelona	F	11	52	Geneva	C	-3	27	Milan	S	-2	28	Singapore	C	29	84
Beirut	C	21	70	Gibraltar	C	13	55	Montreal	Sn	-5	23	Stockholm	S	-9	16
Belfast	C	8	46	Glasgow	S	9	48	Moscow	C	-8	18	Strasbourg	C	-4	25

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Basque coalition bid fails

BY DAVID WHITE IN MADRID

THE Spanish Socialist Party's long drawn out attempts to form a coalition with moderate Basque nationalists in the Basque regional parliament failed yesterday.

The Socialist Party, which holds power in Madrid and forms the biggest faction in the Basque parliament, has held lengthy talks on a regional level with both halves of the divided Basque Nationalist Party (PNV). After its failure to reach a pact with the larger faction, which still goes by that name and which forms the acting regional government, the main prospect for a coalition lay in its talks with the splinter group, Basque Solidarity, and with the small Basque Left party with a view to a three-way agreement.

After a final session held in a secret location, these contacts broke down yesterday.

Mr Jose Maria "Txiki" Benegas, the Basque Socialist leader, challenged the three nationalist parties to make up their minds who should head the next government.

Continued failure to bridge the gap between the Socialists and the other parties, which all seek a looser relationship between the Basque country and Madrid, threatens to force a new round of elections.

Bundesbank cuts rate

Continued from Page 1

thus coming under strain. Latest indicators have also shown slower German economic growth.

He regretted the timing of the moves, only days before the election. "It doesn't suit me, either." But he said they would not have any effect on the voting.

In Washington, Mr Baker signalled continuing disappointment with the response of America's trading partners to US calls for them to stimulate economic growth.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday January 23 1987

BankAmerica lifted by sale of Italian unit

BY WILLIAM HALL IN NEW YORK

BANKAMERICA Corporation, the struggling West Coast banking giant which is fighting an unwelcome takeover bid from a smaller California rival, First Interstate Bancorporation, yesterday reported fourth quarter earnings of $82m, its best quarterly performance in almost two years.

The fourth quarter earnings, equivalent to 44 cents a share, reduced the group's annual loss to $518m, or $3.74 per share. This compares with a loss of $337m, or $2.68 per share, in 1985.

The group provided $2bn for credit losses in 1986 which was slightly down on the $2.18bn provided in 1985.

If a $236m after-tax gain on the sale of Banca d'America e d'Italia is stripped out the company continued to operate at a loss in its final quarter although its results were hit by $46m of severance costs to cover staff cuts and $38m to cover losses arising from excess office space which is being subleased.

Nevertheless, Mr. A. W. Clausen, who returned as chief executive last year after the ousting of Mr Sam Armacost, took pains to indicate that BankAmerica has turned the corner and that he expected the company to be profitable this year.

"The first three quarters of 1986 are in no way reflective of our prospects today," said Mr Clausen, who added that the fourth quarter results signalled "the beginning of the kind of improvements in our loan portfolio, cost containment, capital enhancement, and approach to revenue generation that will return this company to operating profitability in 1987."

"Among our stated goals are improvement in credit quality and a reduction in operating expenses." Mr Clausen noted that as the group completed the year "we saw non-performing loans and credit losses begin to decline."

The group also far exceeded its staff cutting goals in 1986 and slowed expense growth. By year-end the group was employing 88,500 full time equivalent staff – down 9,600 on the year.

Excluding the sale of the Italian subsidiary the numbers fell by 6000.

Although Mr Clausen went to some lengths to present the latest figures in the best light, they underline the group's parlous financial state and urgent need for a capital injection.

Total assets fell by 10 per cent over the year to $107.2bn while common stockholders equity fell by 20 per cent to $3.2bn.

Mr James Robinson: "Historic year"

American Express at record

By James Buchan in New York

AMERICAN EXPRESS, the US financial services and travel group, announced a 37 per cent increase in net operating income for last year to $1.11bn with record earnings in all four of its operating divisions.

Growth in earnings slowed considerably in the fourth quarter, to 17 per cent, taking the total to $277m, but earnings were held back by rising corporate expenses and steep provisions against loan losses at American Express Bank.

Per share earnings from continuing businesses for the year were $4.92, up 38 per cent, and $1.25 – a rise of 5 per cent for the quarter. A capital gain on the sale of Warner Amex Cable Communications would have raised earnings to $1.25bn or $5.55 a share.

Mr James Robinson, chairman, called 1986 an "historic year," with returns on equity reaching 20 per cent for the first time. Consolidated revenues were up 24 per cent, at $14.75bn.

Supported by a strong stock market and heavy corporate activity, Shearson Lehman Brothers and IDS Financial Services, the fund management operation, led the growth in earnings.

Net income at Shearson Lehman rose 57 per cent to $316m, with a 27 per cent rise to $101m in the fourth quarter.

All the main operations reported record results for the year, with investment banking riding the merger and acquisitions wave for a 43 per cent increase in revenues.

The restructuring of investment portfolios in the light of the new tax law helped push commission revenues up 32 per cent during the year.

Net income at IDS rose 27 per cent to $98m in the year and 23 per cent to $26m in the quarter.

The group's traditional Travel Related Services, which provide charge cards, travellers' cheques and life insurance, increased net income by 16 per cent to $599m in the year and 16 per cent to $142m in the quarter.

Card charge volume and cheque sales reached records, despite lower airline fares and fewer international travellers.

However, the result for the year was flattered by a $52m net gain on the sale of shares in Fireman's Fund, the insurance company.

Earnings at the bank rose only 6.9 per cent for the year to $175m, and actually fell by $4m to $43m in the quarter. Provisions against loan losses rose 43 per cent in the year, to $119m, and were $61m in the last quarter.

SWEDISH BANK STARTS COURT ACTION TO RETRIEVE SKR 570M DEBT

Gotabanken moves on El-Sayed

Kevin Done in Stockholm looks at the legal steps being taken by the main creditor of Mr Refaat El-Sayed, former chief executive and majority shareholder in Fermenta, to protect its interests.

GOTABANKEN, the main creditor of Mr Refaat El-Sayed, the ousted former chief executive and majority shareholder in Fermenta, the deeply troubled antibiotics and animal health group, has taken the first step in the Swedish courts to force the repayment of debts totalling SKr 570m ($87.6m).

Mr Ulf Lignell, deputy managing director, said yesterday that if Mr El-Sayed could not repay the debt "we must go on to a bankruptcy."

Gotabanken has had collateral for its loans to Mr El-Sayed consisting of 2m A shares and 2.3m B shares, but the precipitous fall in the Fermenta share price, has left the bank exposed to a considerable loss.

Volvo, which early last year withdrew from a far-reaching industrial co-operation deal with Mr El-Sayed, has underwritten some SKr 250m of the loan, and has already made an unspecified provision in its 1986 accounts.

Fermenta shares have been trading at between SKr 30 and SKr 40 per share this week, since dealing was restarted following an unprecedented five week trading halt, but it is understood that Gotabanken and Volvo would need a price of around SKr 120 a share to cover their loans.

Mr Lignell said the bank had started the debt recovery procedure in order to protect its status against pre-emptive actions from other creditors.

The bank's action leaves Mr El-Sayed – who at the beginning of 1986 was on paper one of the richest individuals in Sweden thanks to his majority Fermenta stake – in a highly precarious financial position, while his main creditors are facing losses amounting to several hundred million Kronor.

In addition to Gotabanken, Nordbanken, another Swedish bank, has outstanding loans to Mr El-Sayed of at least SKr 200m against a collateral of some 4.2m B shares. Electrolux, the Swedish household appliances group is owed SKr 117m and Fermenta itself has a preliminary claim against Mr El-Sayed of some SKr 133m.

These outstanding debts total more than SKr 1bn, while Mr El-Sayed currently holds some 10.1m Fermenta shares – all collateralised – with a current market value of SKr 350m to SKr 400M.

The Fermenta debacle has been one of the biggest stock market scandals in Sweden since the 1930s. The company is under investigation by the police for fraudulent accounting, and at the same time the former board is being sued in the courts for damages by hundreds of small shareholders.

Electrolux plans Spanish move

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

ELECTROLUX of Sweden, the world's leading household appliances group, is considering a significant expansion in Spain through a possible takeover of the Corbero Group, the Spanish white goods manufacturer.

Corbero and its associated company Domar are owned by Pilbea, a holding company controlled by the regional government of Catalonia.

It has accumulated considerable losses in recent years and forms an important part in the Spanish Government's restructuring programme for the troubled white goods sector.

The first approach for its sale came from the Catalonian authorities, Mr Leif Johansson, head of the Electrolux white goods division, said yesterday.

Electrolux established its first foothold in the Spanish household appliances market through its takeover completed last year of Zanussi, the Italian group, which included Ibelsa, a wholly-owned Spanish subsidiary.

A takeover of Corbero would virtually double Electrolux's white goods sales in Spain to around SKr 1.6bn ($245m).

Mr Johansson said yesterday that Electrolux had expressed interest in a possible takeover and was discussing taking an option with the Catalonian authorities.

"There is much more information we need. We have only had to preliminary meetings so far. This is a very complicated matter, which finally needs the blessing of the central government. We are not close to closing any deal."

Corbero and Domar manufacture cookers, washing machines and dishwashers, and fridges and freezers and a takeover by Electrolux would enable the Swedish group to offer a full range of appliances in the Spanish market.

Ibelsa makes washing machines and fridges.

Union Pacific falls despite railroad boost

By James Buchan in New York

UNION PACIFIC, the large US railroad and energy concern, announced a 4.4 per cent fall in net income in the fourth quarter to $129.3m despite a continued strong performance by its railroad business. Earnings per share were unchanged at $1.13.

In the quarter, earnings from the railroad in the Western US increased 11.8 per cent to $104m, but lower energy prices reduced income at Champlin, the oil and gas subsidiary, by more than half to $15m. Total revenues fell from $2.05bn to $1.84bn.

"We expect to achieve a significant increase in net income this year," said Mr William Cook, chairman of Union Pacific, which is in the middle of a radical restructuring.

Net earnings before special charges dropped 3.2 per cent last year, to $484.7m, or $4.20 a share, on sales down 15 per cent at $6.68bn.

However, a charge of $945m to net income to cover drastic cuts in the workforce and the fall in value of oil and gas properties and railroad equipment was taken in the second quarter. The charge caused a loss of $460.2m for the year.

Transvaal mines increase payout

BY KENNETH MARSTON, MINING EDITOR, IN LONDON

INCREASED final dividends for 1986 have been declared by the Transvaal gold mines in South Africa's Anglo American Corporation group. The exception is Western Deep Levels, which is paying a final of 355 cents to make a total of 610 cents against 649 cents for 1985.

Vaal Reefs is lifting its final to 1,200 cents to make 2,100 cents against 1,900 cents, while Southvaal is paying 440 cents to make 820 cents against 660 cents.

Elandsrand's final is 75 cents, making 130 cents against 110 cents while that of "Sallies" is 47.5 cents to make 75 cents against 47.5 cents.

Mine profits of the group for the December quarter of 1986 are mixed. Although the US gold price was higher in the period the changed dollar-rand exchange rate resulted in most mines receiving a slightly lower price in rands.

Earnings of Western Deep have improved and gold output has risen in line with a better ore grade although production has continued to be affected by seismic events in the high grade area of the mine east of the No 3 shaft system.

Ergo, the dump retreatment operation, has done well thanks to increased output, as has "Sallies."

On the other hand, the big Freegold has seen a fall in earnings on a combination of lower output and higher tax while Elandsrand has been similarly affected; at present the latter mine is only liable to tax on its non-mining income.

Gulf Canada returns to Arctic oilfield

By Bernard Simon in Toronto

THE PROSPECT of higher energy prices in the 1990s had led Gulf Canada, a subsidiary of the Toronto-based property and resources group Olympia and York, to resume its pioneering development of an unusually large oilfield off Canada's northern Arctic Coast.

Gulf said yesterday that seasonal production from the Amauligak field, located in the Beaufort Sea about 75 km north of the hamlet of Tuktoyaktuk, would begin next year. Full production is expected to be reached in the early 1990s.

The field, the first commercial oil development off Canada's Arctic coast, is the culmination of exploration efforts stretching back over the past two decades. Oil companies have spent an estimated C$5bn (US$3.7bn) on Arctic exploration.

Amauligak's reserves are estimated at 700m barrels, about half the total discovered so far in the Beaufort Sea. The company said production was likely to be about 100,000 barrels a day.

Mr Keith McWalter, chief executive of Gulf's oil and gas division, said that "while the price of oil may continue to be volatile in the short term, we believe the corner has been turned with the prospect of prices rebounding in the early 1990s."

Gulf suspended operations in the Beaufort Sea last August in the wake of the sharp decline in oil prices. Its decision to resume work is likely to focus attention on Alaska's North Slope, where exploration has come to a virtual halt.

Separately, Gulf Canada said it planned to spin off its oil and gas business into a separate, publicly traded company.

Strong performance at Morgan Stanley

BY RODERICK ORAM IN NEW YORK

MORGAN STANLEY, the leading Wall Street securities firm which went public last spring, has reported a near doubling of profits in 1986 relecting strong performances by both investment banking and trading activities. However, revenue and profit growth slowed in the fourth quarter from the first three.

Net profits surpassed Wall Street estimates to total $201.2m in the 12 months ended December 31 compared with $105.8m a year earlier. Earnings per share were $8.42 against $5.32 on a weighted average number of shares outstanding of 23.8m against 19.7m. Revenues rose 37 per cent to $2.46bn from $1.79bn.

In the fourth quarter, net profits were up 75 per cent at $58.2m from $33.6m a year earlier although revenues grew only 15 per cent to $630m from $548.4m.

The per share figures were $2.31 against $1.69 on 25.1m shares compared with 19.7m. Earnings benefited from "good investment banking income in the merger and acquisition and equity underwriting areas."

The firm attributed its successful year to "favourable market conditions" and its "substantial investment... in building an integrated, global capacity."

Morgan Stanley moved rapidly into foreign markets ahead of some of its competitors. Salomon Brothers, for example, warned this week that its earnings had been sharply reduced by its recent and heavy investment abroad.

Morgan Stanley's fastest revenue growth came in principal transactions such as underwriting and risk arbitrage. For the year the revenues virtually doubled to $473.2m from $243.

They dipped slightly in the fourth quarter, however, to $69.3m from $70.1m, reflecting a range of factors including less activity in fixed income areas and risk arbitrage.

Revenues from investment banking rose 55 per cent in the year to $655.9m from $423.5m, with a similar advance achieved in the fourth quarter. Commission revenues rose in 1986 to $216.2m from $154.4m and asset management fees totalled $40.1m against $34.8m.

The firm benefited in several ways from going public, a move which raised $241m net in the spring flotation. For example, it gained financial flexibility by access to public markets such as commercial paper and floating rate.

United Tech in $228m loss

By Our New York Staff

UNITED TECHNOLOGIES, the US industrial conglomerate, yesterday announced fourth-quarter net losses of $228m after a $346.7m charge to after-tax earnings to account for restructuring costs and a sharp reduction in salaried staff.

The fourth-quarter result, which compares with net income in the 1985 fourth quarter of $165.9m or $1.19 a share on a fully diluted basis, reduced earnings for the year to $72.7m, or 54 cents on the same basis, from $312m or $2.12.

Figures for the year were also held back by a $90.3m provision, taken in the second quarter, against cost overruns on radar contracts at United Tech's Norden subsidiary.

Standard Oil maintains dividend in quarter

BY OUR NEW YORK STAFF

STANDARD OIL, the US affiliate of British Petroleum, yesterday reported that it earned $31m, or 13 cents a share, in its fourth quarter. It also announced an unchanged quarterly dividend of 70 cents a share and said that its profits should improve this year assuming that average oil prices fall no lower than they were in 1986.

Standard has been affected by special items in recent quarters. These have been excluded in the fourth-quarter operating earnings figure of $67m, or 28 cents a share – 82 per cent lower than the $379m, or $1.61 a share, in the final quarter of 1985.

For the full year, Standard reported a net loss of $345m or $1.47 a share, compared with 1985 earnings of $308m or $1.31 a share, in 1985.

Revenues for the full year fell by $3.8bn to $10bn, reflecting the lower oil prices. The company's full-year results were depressed by $810m of after-tax charges which were recorded in the second and fourth quarters.

Excluding special charges from both years and the 1986 $80m extraordinary item covering losses on the early retirement of debt, Standard's operating income fell 66 per cent to $499m, or $2.13 a share, from $1.46bn or $6.21 a share, in 1985.

Alaskan crude-oil sales prices, the source of most of the group's revenue, averaged $12.41 a barrel in the fourth quarter of 1986 compared with $26.37 a barrel in the same period of 1985.

For the full year the average price of $13.83 a barrel for Alaskan crude was 48 per cent down on the average 1985 price.

Mr Robert Horton, a former managing director of BP who was installed as Standard's chief executive last year as part of a wide-ranging management shake-up, said that after the special charges Standard Oil was well prepared for the energy environment expected in the next few years.

He also underlined the group's continued ability to maintain its dividend despite poor earnings by noting that the $2.80 annual dividend was covered almost three times by the group's "strong cash flow."

HWT TAKEOVER MAY TAKE SEVERAL WEEKS TO DECIDE

Broadcast tribunal puts Murdoch on hold

BY CHRIS SHERWELL IN SYDNEY

MR RUPERT MURDOCH'S A$ 2.3bn takeover of the Melbourne-based Herald and Weekly Times (HWT) media group was put on hold after the Australian Broadcasting Tribunal intervened.

The action, preventing the registration of HWT shares and the appointment of new directors, kept alive the hopes of John Fairfax, the Sydney media group which had its higher bid on Wednesday for HWT rejected by the HWT board.

It may now take several weeks to decide the outcome of one of Australia's most intensively fought takeover battles. Since December 3, HWT has received five different offers, each one higher than the last.

The six-member broadcasting tribunal, an independent regulatory agency for the radio and television industry, made its decision after a second day of hearings and several hours of discussion.

It moved to block the HWT takeover while it held an urgent inquiry into the question of foreign ownership of broadcasting stations.

This will begin on February 2, and will examine in particular whether Mr Murdoch's News, in its newly restructured form, is no longer directly controlled by him, as he claims.

Australia's existing laws disallow a foreigner to hold more than 15 per cent of a broadcasting licensee. The problem for the Australian-born Mr Murdoch is that he is now a US citizen and HWT owns two television stations and five radio stations.

The issues are complex, however, not only because of the intricacies of Mr Murdoch's News restructuring, but also because he has actually committed himself in advance to selling all the HWT stations off.

The tribunal has already spent some time considering the separate question of whether Mr Murdoch controls his two Channel Ten television channels in Sydney and Melbourne.

Here, too, his interests have been carefully restructured to reduce his voting rights but not his financial stake. On Tuesday a federal court found that Mr Murdoch remained in control after all, a view which seems likely to have influenced the tribunal's discussions.

It was this decision which prompted the Fairfax Group to launch its A$18 per share offer for HWT on Wednesday. This valued HWT at close to A$2.5bn, and outbid Mr Murdoch's A$15 per share offer.

But yesterday the HWT board announced that it could not recommend the Fairfax bid to its shareholders. "It seemed highly improbable that the Fairfax offer could ever take place because it was conditional on acceptances from 50.1 per cent of shareholders, and it seemed there were not that many left," Mr John D'Arcy, chief executive, said afterwards.

Mr Murdoch, who picked up 12 per cent of the company in the early stages of the takeover battle, has since received acceptances from others – notably Queensland Press, which has a 24 per cent stake and Advertiser Newspapers of Adelaide, with 12 per cent.

Analysts argued that Fairfax had moved far too late to secure HWT, and that its cash-only offer was not attractive to HWT shareholders, who wished to remain invested in Australia's media sector.

INTERNATIONAL COMPANIES and FINANCE

San Paolo moves into financial services

By Our New York Staff

SAN PAOLO di Torino, the Italian banking group, is to launch itself into personal financial services. It has formed a new unit – San Paolo Invest – to tap into the personal savings business.

Mr Sergio Pugliese, the managing director, said that Italian family investments were expected to rise to about L1,700bn ($1.3bn) by 1991. The most significant growth is expected to be registered in high income yielding mutual funds.

The new company will provide professional financial counselling tailored to individual requirements, said Mr Pugliese.

San Paolo follows several other leading Italian banks in offering financial counselling services. It plans to link with other intermediaries to develop products.

Speculation has recently focused on possible tie-ups with Generali, Italy's largest insurance group, for the provision of life and accident insurance and with Merrill Lynch, the US investment house.

However, San Paolo directors emphasised that the group was discussing several alternative alliances.

Sandoz sees satisfactory year

BY JOHN WICKS IN ZURICH

SANDOZ, the Swiss chemical concern, last year came close to reaching its 1985 sales record, despite the sharp increase in the exchange rate of the Swiss franc.

Group turnover in 1986 amounted to about SFr 8.36bn ($5.3bn) or only 1 per cent below the SFr 8.45 reported for the previous year. However, this followed a rise in sales in terms of local currencies by as much as 21 per cent, or about 14 per cent after the exclusion of markets with high inflations rates.

Sandoz said it expected "satisfactory results" in 1986. In the previous year, group net profits jumped by almost 29 per cent to a record SFr 529m.

In the pharmaceuticals sector, Sandoz reports "very satisfactory" sales due partly to a marked rise in demand for new products. Local-currency turnover was up 14 per cent for the year and Swiss-franc sales down 1 per cent to SFr 3.8bn.

The chemicals division booked increases in terms of both Swiss francs and local currencies – 5 per cent to SFr 2.2bn and 20 per cent, respectively. This reflected a substantial increase in sales of building chemicals and plastics, but also good business in other areas.

The best growth rate was that of 14 per cent in Swiss francs (to SFr 680m), or 32 per cent in local currencies, on the part of the agrochemicals division. This followed the consolidation last spring of the Chicago-based pesticides company, Velsicol.

Elsewhere, seeds turnover dropped 22 per cent in terms of Swiss francs to SFr 580m, representing a 1-per-cent fall in local currency, as a result of structural problems in American agriculture. The nutrition division booked Swiss franc sales down by 7 per cent to SFr 1bn after a corresponding growth in local-currency turnover.

Motorola boosted by turnround in chips

BY OUR NEW YORK STAFF

MOTOROLA, the US manufacturer of semiconductors and telecommunications products, enjoyed a 169 per cent improvement in its 1986 net profits of $194m, or $1.53 a share, against the $72m, or 61 cents a share, of 1985. Fourth-quarter profits were $63m, or 49 cents a share, compared with $44m, or 37 cents a share, last year.

The improvement, in line with analysts' expectations, was due primarily to a turnround in Motorola's semiconductor operations which accounted for 32 per cent of the company's total revenues in 1986. While sales of semi-conductors increased by 8.8 per cent to $1.86bn, the operating profit of $87m achieved by this business contrasted with a loss of $38m in 1985.

New semiconductor orders were up 42 per cent on the year, and demand increased throughout the world for all major products, except military devices. However, the company said that semiconductors on their own would have produced a slight operating loss in the fourth quarter.

The company's total revenues were $5.89bn, 8.2 per cent higher than the $5.44bn achieved in 1985. In the fourth quarter sales were $1.62bn.

Unisys hit by special charges after merger

BY ANATOLE KALETSKY IN NEW YORK

UNISYS, the recently formed combination of the Burroughs and Sperry computer companies, lost $43.4m, or $1.63 a share, in 1986 following $280m in special charges from layoffs and asset consolidations which followed the merger. In the fourth quarter, when the charges occurred, the company reported a net loss of $188.5m or $6.08 a share.

Unisys revenues in 1986 were $7.4bn, against the $5bn recorded by Burroughs in 1985 when its net profits were $248bn, or $5.46 a share.

However, a Unisys official said meaningful comparisons between 1985 and 1986 figures were not possible because of special merger accounting practices and the wide-ranging disposals of Sperry assets since Burroughs' takeover of Sperry was formally finalised in September.

Now that normal accounting practices have been reinstated from this month onwards, Unisys is operating as "a $9bn plus company" the official said.

Mr Michael Blumenthal, Unisys chairman, said that orders for both Burroughs' and Sperry's equipment had been strong during 1986, "showing low double-digit growth for the last quarter and the year", despite the dislocations resulting from the merger.

He predicted that 1987 would show revenue growth "in a single-digit range" and "substantial earnings gains". He said the earnings gains would result mainly from the greater-than-expected cost reductions which followed the merger.

The company was not "planning for any meaningful benefit from industry conditions during the year". Total workforce reductions, originally anticipated at 9,600, are now expected to reach 12,000.

Mr Blumenthal added that the speedy divestment of Sperry assets, including the sale of Sperry Flight Systems and Memorex, had enabled Unisys to repay debts, improving the debt-to-capital ratio from 55 per cent to 40 per cent.

BHP to float off all gold-mining interests

BY CHRIS SHERWELL IN SYDNEY

BHP, Australia's largest company and one of the country's biggest gold producers, is to float off all its Australian gold mining and exploration interests in a new company, BHP gold mines.

An announcement from Melbourne said BHP would retain a shareholding of about 55 per cent in the new company and would manage the properties and market their output under a service contract.

The remaining shares will be offered to BHP shareholders on a renounceable pro rata entitlement basis.

"The move is designed to give shareholders a chance to participate directly in the group's valuable gold mining activities," BHP said.

Gold production from BHP's Australian interests is running at a rate of 100,000 ounces a year, and the group is aiming for an annual output of 300,000 ounces by the 1990s.

BHP's important holdings in OK Tedi Mining in Papua New Guinea and the interests held by Utah International, are not included in the new arrangements.

BHP Gold Mines will take over mining interests in Telfer, a major project in which BHP has a 30 per cent stake, Ora Banda (100 per cent) and Browns Creek (100 per cent).

It will also take over new projects at Boddington in Western Australia (20 per cent), the highly prospective Coronation Hill site in the Northern Territory (45 per cent) and the new Gympie joint-venture.

BHP shares yesterday rose on the news, to end 22 cents higher at A$9.36.

Details of the new company's structure and its offer are being finalised. An offer document is likely to be distributed in March. The issue is being underwritten by Melbourne brokers J.B. Were and Son.

Until now BHP's gold mining interests have come under its large minerals division, along with iron ore, coal, manganese ore and alumina. Separate divisions cover BHP's other principal interests in oil, natural gas and steel.

N. AMERICAN QUARTERLIES

ALBERTO-CULVER
Toiletries

First quarter	1986-87 $	1985-86 $
Revenue	112.7m	96.6m
Net profits	3.3m	2.1m
Net per share	0.23	0.15

BANC ONE
Banking

Fourth quarter	1986 $	1985 $
Revenue	–	–
Net profits	44m	35.8m
Net per share	0.61	0.50
Year		
Revenue	–	–
Net profits	164.7m	138.4m
Net per share	2.29	1.97

DUKE POWER
Utility

Fourth quarter	1986 $	1985 $
Revenue	843m	717.9m
Net profits	92.1m	89.5m
Net per share	0.77	0.73
Year		
Revenue	3.4bn	2.9bn
Net profits	467.2m	437.8m
Net per share	4.04	3.72

GENCORP
Tyres

Fourth quarter	1986 $	1985 $
Revenue	823m	880m
Op. net profits	36m	†19m
Op. net per share	1.59	0.85
Year		
Revenue	3.1bn	3bn
Op. net profits	130m	49m
Op. net per share	5.82	2.18

†Loss

LORAL
Defence, aerospace

Third quarter	1986-87 $	1985-86 $
Revenue	165.1m	163.6m
Net profits	13.3m	12.8m
Net per share	0.55	0.54
Nine months		
Revenue	475.2m	455.5m
Net profits	39.5m	35.9m
Net per share	1.62	1.50

MARTIN MARIETTA
Defence, aerospace

Fourth quarter	1986 $	1985 $
Revenue	1.27bn	1.21bn
Net profits	43.4m	40.9m
Net per share	0.79	0.89
Year		
Revenue	4.75bn	4.41bn
Net profits	202.3m	249.4m
Net per share	3.67	4.36

MIDLANTIC BANKS
Banking

Fourth quarter	1986 $	1985 $
Revenue	–	–
Net profits	30.7m	26.1m
Net per share	1.38	1.18
Year		
Revenue	–	–
Net profits	112.9m	90.6m
Net per share	5.07	4.46

NORTH AMERICAN PHILIPS
Electronic products

Fourth quarter	1986 $	1985 $
Revenue	1.4bn	1.2bn
Net profits	50.3m	25.7m
Net per share	1.64	0.92
Year		
Revenue	4.5bn	4.4bn
Net profits	81.2m	81.5m
Net per share	2.36	2.82

SOVRAN FINANCIAL
Bank holding co.

Fourth quarter	1986 $	1985 $
Revenue	–	–
Net profits	39.5m	28.9m
Net per share	0.93	0.68
Year		
Assets (year-end)	14.95bn	13.94bn
Net profits	148m	124.2m
Net per share	3.46	2.94

SYSCO
Food distribution

Second quarter	1986-87 $	1985-86 $
Revenue	902.4m	802.9m
Net profits	15.4m	15.5m
Net per share	0.35	0.35
Six months		
Revenue	1.78bn	1.54bn
Net profits	31.6m	29.6m
Net per share	0.72	0.66

UNITED JERSEY BANKS
Bank holding co.

Fourth quarter	1986 $	1985 $
Revenue	–	–
Net profits	17.4m	13.3m
Net per share	0.52	0.44
Year		
Revenue	–	–
Net profits	71.5m	58.3m
Net per share	2.17	1.89

WINN-DIXIE STORES
Retailing

Second quarter	1986 $	1985 $
Revenue	2.73bn	2.5bn
Net profits	27.4m	30.8m
Net per share	0.66	0.75
Six months		
Revenue	4.71bn	4.38bn
Net profits	48.4m	49.4m
Net per share	0.98	1.21

INTERNATIONAL CAPITAL MARKETS and COMPANIES

CBOT braced to meet mounting competition

DAVID OWEN reports on the outlook for the Chicago Board of Trade and the problems faced by Mr Karsten Mahlmann, its new chairman

THROUGH A combination of luck, good sense and political muscle, Chicago has contrived to remain the centre of the fast growing futures and options universe despite (some would say because of) the ongoing shift from agricultural to financially-orientated products.

Potential competitive threats are gaining momentum on several fronts. While volume on Windy City's two huge futures exchanges continue to rise at a healthy rate, their market share is under intensifying attack.

It comes as no surprise therefore that the incoming chairman of the world's largest futures exchange, Mr Karsten Mahlmann, expects issues related to both foreign and off-exchange competition to loom large during his first year in office. Mr Mahlmann assumes the chair at the Chicago Board of Trade on Monday.

On the international front, Mr Mahlmann's prime concern is the threat posed by foreign futures commission merchants (FCMs) able to sell foreign products similar to those traded in Chicago to US customers, untrammelled by stringent US regulations.

"That's the regulatory issue for the year, as far as I'm concerned," he said. "The selling of foreign and domestic futures should be subject to equal regulation."

One such product is the US T-bond futures contract offered by the London International Financial Futures Exchange (Liffe). A similar CBOT contract is the world's most actively traded future, responsible for more than 50 per cent of the Exchange's volume. "You can sell either to the US public," Mr Mahlmann observed, "but London has looser regulation."

If the discrepancy persists, even the CBOT's massive present day liquidity advantage would not be enough to stop business gravitating towards the best-regulated contracts, he maintained. "Why should we encourage the tilting of the playing field away from us? We don't need to be protected. But if you legislate or regulate our ability away, we go into unfair competition."

The CBOT has traditionally been particularly sensitive to perceived competitive threats to its crown jewel. The Exchange this week approved at board level a blueprint to add an evening session to its daytime T-bond and T-note trading hours, pending regulatory approval.

The move is widely seen as recognition of the growing importance of Tokyo in the underlying cash T-bond market and follows the recent introduction of T-bond futures contracts on two growing Pacific zone exchanges.

Laxer London regulations have also been a major factor in enabling Liffe to steam ahead far faster than the CBOT in launching a proposed yen bond futures contract, in Mr Mahlmann's view. The two exchanges have a joint agreement to develop and launch such a contract in interchangeable form.

Liffe last week announced that it was proceeding with plans to introduce the new future by the end of May, despite difficulties over the precise formulation. The CBOT, meanwhile, remains bogged down by Securities and Exchange Commission (SEC) regulations which effectively prohibit the trading of futures on non-exempt securities, according to an Exchange official.

The move towards yen bond futures follows the rapid growth of a year-old yen based contract in Tokyo. Volume has reached as much as 65,000 lots a days.

On the issue of off-exchange or non-regulated futures, Mr Mahlmann adopts a conciliatory stance, admitting that "maybe there is a need" for some such instruments to be made available.

His comments are tempered by a desire not to pre-empt the findings of an exchaneg committee formed to address possible changes in the current Commodity Exchange Act. But he feels that the very existence of the committee constitutes "an implication that there is an infrequent occasion when a customer needs a custom-tailored product."

On one point, Mr Mahlmann is quite categorical. "If changes came about, they would be legislative changes involving the Commodity Exchange Act, which is very explicity: futures must be traded on exchanges."

Overall, Mr Mahlmann's comments may presage some moderations of the CBOT's position on the off-exchange issue.

In Washington last July, outgong chairman Mr John Gilmore expressed the view that futures contracts and securities must be traded on regulated, open market exchanges capable of securing customer protection. "If we allow futures and securities to be traded off exchanges without regulation, independent clearing operations and open markets to everyone," Mr Gilmore said, "Customers will continue to be duped into believing they are protected and that their best interests are being served."

Exchanges have appeared to be getting the worst of the argument in recent months as a string of new over-the-counter products, ranging from tailor-made hedges to commodity indexed capital-raising instruments, have been made available by some banks and brokerage houses.

The Commodity Futures Trading Commission, the industry watchdog, has agreed to conduct three separate studies into the subject over the next two years.

Mr Mahlmann has acquired a wealth of experience in the futures business since arriving in Texas in 1957. Chances are he will need to draw heavily on those reserves in the struggle to prolong further Chicago's remarkably sustained dominance of an increasingly diverse and international industry.

Woolworth UK in twin refinancing moves

By Alexander Nicoll

Woolworth Holdings, the UK retailing group, yesterday signed a commercial paper programme and a multi-option facility (MOF), each for a total of £150m, to refinance a substantial part of its debt.

N. M. Rothschild and Sons arranged the MOF, which uses the tender panel structure for acceptances or advances, backed by a £100m five-year standby credit. Interest is set 10 basis points above London interbank offered rates, and there is a 5 basis point facility fee as well as a 2.5 basis point utilisation fee if the credit is more than 50 per cent drawn.

The commercial paper programme was co-ordinated by Morgan Grenfell with Citicorp Investment Bank and County NatWest Capital Markets also appointed as dealers. Woolworth may issue sterling or dollar-denominated paper.

With the proceeds of the facilities, Woolworth is redeeming £85m of 14 per cent loan stock. The facilities are also part of an investor relations programme which has seen the company successfully applying to the Stock Exchange to have options traded on its stock—the first UK company to ask to do so. It has launched American depositary receipts in New York.

Separately, Manufacturers Hanover was mandated to arrange a $300m multi-option facility for Fireman's Fund Mortgage Corporation, a mortgage banking subsidiary of Fireman's Fund Insurance of the US.

The five-year deal, which carries a facility fee of 10 basis points, includes a revolving credit with drawings at 10 basis points above London interbank offered rates.

Utilisation fees are 6 basis points if the credit is more than one-third used and 10 basis points for usage above two-thirds. The borrower may also receive swingline advances or issue Euronotes through a tender panel.

Stockholm SE issues options guidelines

By Sara Webb in Stockholm

THE STOCKHOLM Stock Exchange Board yesterday approved the idea of eventual stock exchange involvement in Sweden's rapidly-growing options and futures market and proposed a number of guidelines for those wanting to participate in the market.

Until now, the Stockholm stock exchange has not taken an active role in the development of the options market. OM, the privately-run Swedish options market, was only launched in June 1985, but it has already grown beyond expectations. A second and rival options market, Sweden Options and Futures Exchange (Sofe), is due to be launched in February or March this year.

The Stockholm Stock Exchange Board yesterday announced that the stock exchange should become involved in the market "as soon as possible" in what was seen as a positive move towards encouraging the further development of the market.

The Stock Exchange Board suggested that in future, anyone wanting to participate in the market would have to abide by a number of guidelines concerning the level of commissions charged and the dissemination of information.

OM has been accused in the past of charging high commissions, helped by its monopoly of the market, though the company says it has had to bear high start-up costs and has since been able to reduce its commission charges by nearly 70 per cent.

When Sofe first announced plans of its launch, it invited the stock exchange to eventually take it over, pending changes in Swedish legislation.

The stock exchange has decided not to take up the offer for the time being at least, and Mr Bengt Ryden, the head of the exchange, has declined the offer to become chairman of Sofe so that the exchange appears to take a neutral stand over the two competing markets.

Better results for Neste

By Olli Virtanen in Helsinki

NESTE, Finland's national energy group, reports a "substantially better" operational result for last year compared with 1985, despite a decline in turnover from FM 35.2bn to FM 25.3bn ($5.4bn).

The company says its operating margins increased but that the improvement will be partly offset by the stock losses on oil trading.

The group's best performers were the chemical industry and oil trading divisions, although the value of oil trading dropped from FM 16.9bn to FM 11.5bn.

Euromarkets reflect confused mood

BY CLARE PEARSON

THE MOOD in the Eurobond fixed market was confused yesterday. The continued downward trend in the dollar sapped demand for Eurodollar bonds, but at the same time West Germany's ½ per cent discount rate cut to 3 per cent which fuelled hopes of further international interest rate falls, provided a bullish undertone.

Meanwhile, gloom prevailed in the Eurodollar floating rate note (FRN) market, as prices fell sharply during the morning and even after an afternoon improvement finished around 15 basis points lower on the day.

Yesterday's sell-off seemed to be the culmination of increasing nervousness among dealers as end-investors have failed to re-enter the market with the new year. Some investors have been switched into fixed-rate investments, hoping for capital gains if interest rates come down.

Dealers said no particular types of FRNs were affected, but price mark-downs varied widely from issue to issue.

In the new issue market, attention focused on the second multi-tranche convertible issue for the Australian brewing group Elders IXL, launched by Credit Suisse First Boston. Like its earlier offering launched last October, which was used to finance Elders' acquisition of Courage, the UK brewery, this issue was for Elders UK subsidiary.

Yesterday's issue came in three tranches, of $75m, £75—which was later increased by £10m—and SFr 100m. The Swiss franc private placement is being led by Credit Suisse. The issue is expected to be followed by a further two tranches in other currencies, amounting to A$200m equivalent.

The indicated conversion premium on the bonds is 10 per cent. This is about 10 per cent lower than that on the earlier issue. The indicated coupons on the 10-year par-priced bonds are 7 per cent on the sterling issue, 5 per cent on the dollar tranche, and 3 per cent on the Swiss franc note.

INTERNATIONAL BONDS

The deals may be called from 1993 at declining premiums. Investors can also put the bonds after six years at prices to give varying indicated yields. These are 10 per cent on the sterling tranche, 7½ per cent on the dollar tranche, and 5 per cent on the Swiss franc tranche.

All three tranches met strong demand, as Elders built up a strong following among investors on the Continent with its earlier issues, which traded well above par yesterday. The new issue's sterling and dollar tranches were quoted at around 99½ bid, and the Swiss franc tranche at 101¼. The relatively generous put option proved particularly attractive to Swiss investors and this tranche is expected to be increased.

Elsewhere, Morgan Stanley led a $200m issue for a new borrower in the Eurobond market. This was Skandia International, the reinsurance company which is 45 per cent owned by Skandia, the Swedish insurance concern.

Some dealers said that investors were unfamiliar with Skandia's name, but the issue's triple-A rating seemed to enable them to overcome this problem yesterday.

The 7½ per cent five-year bond, priced at 101⅛, was quoted within its fees at a discount of 1⅝ points to issue price. At launch it gave a yield spread over US Treasury bonds of 74 basis points, but this differential narrowed by around 10 basis points during the day.

Nomura International took advantage of the firm tone of the Euroyen market, which was boosted by hopes that Japan would cut its discount rate, and led a Y50bn seven-year deal for Sweden. Nomura said that its 5⅛ per cent coupon was the lowest yet on a seven-year new Euroyen issue.

There is a shortage of new paper in the Euroyen market at the moment, but many borrowers are prevented from tapping the market because of the difficulty of arranging swaps. Nomura said that Sweden would not be swapping the proceeds of yesterday's issue for the moment.

The deal traded at a discount of 1.70 points to its issue price on the bid side, within its 1⅞ per cent fees.

Two borrowers launched bonds into the Ecu market, where prices were slightly higher yesterday although dealers said the West German discount rate cut had mostly been factored into prices already.

Societe Generale led an Ecu 100m 8.8 year 7⅞ per cent bond for Cassa di Risparmio delle Provincie Lombarde (Cariplo), the Italian savings bank. The deal was priced at 101⅛.

Meanwhile, Yamaichi International (Europe) led an Ecu 200m seven-year 7⅞ per cent bond for Denmark, priced at 101⅛.

Cariplo's bond was quoted at a discount of 1⅞ to its issue price. Denmark's bond, however, was quoted at levels outside its fees. Dealers said there was little European demand for the issue, most of which is likely to be sold to Japanese investors.

In the D-Mark market prices rose by about ½ point after the discount rate cut, although trading was low as many investors are staying on the sidelines ahead of Sunday's Election.

Late in the day, Dresdner Bank led a DM 175m 5¾ per cent 10-year bond for the European Coal and Steel Community.

The ½ per cent cut in the Swiss discount rate to 3½ per cent was announced too late in the day to affect trading. Prices were unchanged

Paribas success brings allotments poser

BY GEORGE GRAHAM IN PARIS

THE RUNAWAY success of Paribas privatisation is starting to cause concern in France and could create difficulties over the allocation of shares in the French banking group.

Officials fear that demand will be so heavy that even orders for 10 shares, which receive preferential treatment, will have to be scaled down.

Senior bankers also believe the international share offering will have to be scaled back, with the French Treasury exercising in full its right to claw back 10 per cent of the 6.3m shares offered overseas.

The clawback was used in full with St Gobain, the glass and packaging group which was the first in the French government's privatisation programme, causing considerable irritation among international investors.

The Paribas shares offered overseas were already oversubscribed at the issue price of FFr 405 by lunchtime on the first day of the offer.

Institutional investors, already resigned to having their orders scaled down by a factor of 10, are now steeling themselves to a further reduction, although Paribas itself hopes to avoid this.

In France the Finance Ministry has forbidden banks to say how many share orders they have collected. Officials said the ban was intended to avoid unrealistic estimates of demand based on fragmentary information.

One Paris bank branch, however, said it had taken more orders on the first day of the Paribas share offer than in the whole two weeks of the St Gobain share issue. Another branch estimated that demand was 10 times as heavy as for St Gobain — itself oversubscribed 14 times.

Paribas said demand had been strong from families with modest incomes and from the young. Children are reported to have asked for shares—not just at the prompting of anxious parents who want to boost the number of their priority share applications, but on their own initiative.

The ministry is refusing to worry about such a huge success. If necessary, even the priority orders for 10 shares or fewer can be scaled down within the terms of the privatisation law, officials note.

The Treasury has defended itself, however, against the charge that it priced the shares too low. Senior officials say that the price is fair.

Setting a higher price would have been unreasonable in the medium term and would have had no significant effect on the demand for Paribas shares, which they say is due to the quality of the company and of its publicity campaign.

Senior bankers advising the Government on the sale also said it was difficult to claim that the price was too low. They said overseas analysts had been excessively optimistic about Paribas's prospects and that the price was fully justified

The FFr 405 a share price is at least 10 times probable 1987 earnings, one banker said, which is expensive in comparison to other international banks such as NatWest or J. P. Morgan.

Some brokers have estimated that Paribas is worth more than FFr 475 a share, and in London grey market dealings a price of FFr 470 has already been bid.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 22

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available—previous day's price.
† Only one market maker supplied a price.

[illegible]

INTL. COMPANIES and FINANCE

Chris Sherwell on implications of a case involving share dealings

Humes test for Australian watchdog

THE National Companies and Securities Commission, Australia's stock market and takeover watchdog, goes to the Victorian Supreme Court in Melbourne today in an attempt to press home its suspicions concerning transactions in the shares of Humes, a Melbourne building materials company.

The case is of immediate interest in Britain because it focuses on the London broking firm of Alexanders Laing and Cruickshank, part of the Mercantile House group, which acquired an 8 per cent stake in Humes in the course of a single day's hectic trading on December 2.

But its real significance spreads far wider, with implications for all those businessmen, bankers, brokers, lawyers and investors who follow closely Australia's fluid and fast-moving corporate takeover scene. This is because the Humes affair is seen as something of a test case for the NCSC's surveillance and enforcement powers in relation to any possible market rigging, warehousing of stock and insider trading on the Australian stock exchanges.

Alexanders has denied any wrongdoing, and anyway is only one of several parties to have been questioned by the NCSC in a lengthy inquiry over recent weeks. But the case may help decide once and for all how far the NCSC feels it can or should go in its investigations generally.

Like many government institutions in Australia, the NCSC is held in less than high esteem among those it is supposed to monitor or serve. In the judgment of Mr Henry Bosch, the agency's chairman, this is probably unfair. As he points out, Australia, unlike Britain, has highly detailed "black letter law" affecting companies and the securities industry, and this, in providing certainty, also entails some inflexibility.

To cope with the practical consequences, the NCSC has considerable discretionary powers to grant exemptions to Australian codes. This, it turns out, is the agency's most time-consuming activity — applications flood in at a rate of some 700 a year, according to Mr Bosch. The agency aims to reply to any query within two weeks, but has been known to respond the same day on an urgent matter. Either way, it issues legal documents supporting its decisions in each case.

For this unusual service to the business community it receives the princely sum of A$60 (US$39.70) a time. Yet in one instance 142 staff hours were spent on an application which was ultimately withdrawn.

'There is the odd rotten apple in the barrel. We have to weed them out'

For an agency which plainly lacks the resources to do its job, this is one area where it might resort to some self-help. However, the NCSC falls under the Attorney-General's department, and the need for accountability means it is subject to the limitations of that department's budget and internal politics.

The NCSC's budget this year amounts to A$5.7m. It has only 83 staff in total, but is severely constrained by civil service staffing rules, which limit the number of senior appointments which can be made and curb the salaries which can be received.

Mr Bosch insists that the NCSC's resources problem is not its most important concern. The big task, he says, is to ensure that existing codes are kept up to date with new practices, and to monitor the evolution of the markets.

The NCSC has therefore been closely involved in the drafting of futures legislation to deal with the development of the Sydney Futures Exchange and its new international links with London and New York. It is also working on the merger of Australia's six stock exchanges into one.

Monitoring the evolution of modern markets is just as tricky. "We have a big explosion of new technology, an extraordinary growth in the connections between all national markets," says Mr Bosch. "All regulators around the world are terribly concerned about it."

Most developments are legitimate and creative, he says. "But there is a certain amount of malefaction, the odd rotten apple in the barrel. We have to weed them out, or it is a race for the bottom."

Mr Bosch has little time for those who say there should be no regulation of the market. The NCSC was established both to protect investors but also, he emphasises, to facilitate the efficient working of the market —in short, to ensure that it operates in an honest and fair way to all.

As an example of the problems, the agency likes to point to a survey of 25 takeovers in which there were significant price movements before any announcements. Though the survey was not random, it was illustrative.

"We know insider trading is going on, and we know who does it. More people are getting away with too much, and we're not doing as much as we would like or as Australia deserves. That's why we're arguing for an insider trading law," says Mr Bosch.

In the Humes affair, details of which the NCSC does not discuss, the agency's investigation has been strictly private. This is a new departure, and has involved witnesses appearing under oath and with legal representation, but in private.

'We know insider trading is going on and we know who does it'

The change springs from NCSC's unhappy experience last year, when it decided to investigate publicly a transaction involving Broken Hill Proprietary and Elders IXL, two of the country's best-known companies, in relation to a BHP takeover move by a third big company, the Bell Group.

The NCSC's image suffered as the probe became utterly bogged down. Eventually there was a report which rapped people on the knuckles without penalising them. But Mr Bosch is sure the NCSC's willingness to go into the matter has made company directors think hard about what they do.

Today's move into the Victoria court is expected to produce the first official disclosures of the NCSC's suspicions in relation to the Humes affair. At the very least it is alleged there have been some technical infringements. The question is whether the NCSC can demonstrate that the case goes any further, and then take it there.

BNZ flotation to raise NZ$180m

By Our Financial Staff

SIR LEWIS ROSS, chairman of Bank of New Zealand, yesterday gave details of the size and pricing of its share flotation, which he said would raise NZ$180.25m (US$97.2m).

He was reported from Wellington as saying the state-owned bank would offer 103m non-voting shares, representing some 13 per cent of its equity, at NZ$1.75 each. Applications are due to close in mid-February.

● Bank of East Asia, one of Hong Kong's larger domestic banks, boosted net profits 12.1 per cent last year to reach HK$185.21m (US$23.75m). It describes the 1987 outlook as bright.

The total dividend for the year is lifted to 75 cents per share from 63 cents, the comparative figure adjusted for a one-for-five scrip last February.

● Bank of America has put up for sale its credit card operations in Hong Kong and Singapore, as part of its worldwide divestment programme.

● Bank Negara Indonesia, the large state-owned bank, has opened a branch in London, the first of any Indonesian bank in Europe. National Bank of Kuwait, Kuwait's largest bank, has also been accorded full banking status in London by the banking authorities.

UK COMPANY NEWS

Bryant warns of earnings havoc from ECC takeover

BY CLAY HARRIS

Bryant Holdings yesterday took its bid defence against English China Clays on to the balance sheet, warning ECC that winning the takeover battle might play havoc with its earnings per share.

In reply last night, Sir Alan said that EEC could not judge how to treat Bryant's assets and liabilities until it was able to review them for itself. He noted the sharp rise in Bryant's claimed asset value from the level at the time of its rights issue in October to the revaluation published on January 6.

He asked: "Are you proposing now to incorporate these 'values' into the Bryant accounts should the company remain independent?" If so, Sir Alan said, "I am sure Bryant shareholders would like to know the consequent effect on Bryant's earnings per share and return on capital."

With the bitter struggle for the housebuilder and property developer only five days from conclusion, Mr Chris Bryant, Bryant's chairman, told his counterpart, Sir Alan Dalton, that EEC's accounting policy would require a significant write-off for goodwill. This would comprise the difference between the book value of Bryant's land and property holdings and the much higher acquisition cost to ECC.

"The overall effect would be a substantial reduction in earnings per share," Mr Bryant said. The opinion was based on the advice of Bryant's auditors. Touche Ross.

Robert Fleming, Bryant's financial adviser, said that the company did not plan to include the assets in its accounts at their new valuation. The warning was aimed at Bryant shareholders who might be tempted to accept ECC's share offer.

Bryant's focus on ECC's accounting policy reflects its anger at the bidder's figures which indicate that ECC achieves better margins on housebuilding than Bryant does. Bryant maintains that this is entirely a result of the accounting treatment of ECC's acquisition in 1984 of Bradleys, the Swindon-based builder.

Schroders, acting for EEC, said last night that the company now controlled a total of 27.8 per cent of Bryant shares. This would outweigh the 26.5 per cent known to be supporting Bryant, including holdings by the Bryant family and directors, Robert Fleming, and the company's pension fund.

ECC added 1p to 346p to value its share offer at 190p, against Bryant's 178p, down 1p. There is a 180p cash alternative. The bid closes on Tuesday.

See Lex

Ferguson is mystery bidder for Berisfords

By Nikki Tait

Ferguson Industrial Holdings the Cumbria-based printing, packaging and plastics group, yesterday emerged as the mystery bidder for Berisfords Group, the ribbon, labels and trimmings group. Berisfords announced last Tuesday that it was in talks which could lead to an offer.

The deal has the backing of management, and shareholders—comprising directors, family trusts and interests of the Sebire family, plus the 14.6 per cent stake held by Manchester-based William Kenyon & Sons—speaking for 41.5 per cent of Berisfords have given irrevocable undertakings to accept.

FIH itself owned a further 4.2 per cent before the offer, and yesterday its advisors, Arbuthnot Latham, were in the market for Berisfords shares. By the close, holdings pledged to FIH are believed to have topped the 50 per cent mark.

FIH is offering one of its own shares plus 42p in cash for every two Berisfords held. With Ferguson down 8p at 277p yesterday, that values each Berisfords at 159.5p and the entire company at around £9m.

The cash element in the offer will be met from FIH's own resources. However, there is also a full cash alternative of 155p—which is underpinned by Arbuthnot Latham. Berisfords shares added 18p to 155p.

The sale of Berisfords' industrial and embroidery interests, announced last week, was something FIH had been aware of, and would have done anyway, Mr Denis Vernon, chairman and chief executive of FIH, said.

Berisfords will continue to operate as a separate trading entity following the bid.

Demerger claims 20% of L and N

BY NIKKI TAIT

Demerger Two owned and received acceptances on behalf of 19.8 per cent of London and Northern Group's shares by the first closing date. Its offer is being extended until February 5.

Demergerr, advised by Ifincorp Earl, is making a hostile £90m bid for L and N. It owns no shares in L and N but its supporting consortium—Quintex, Tanks and Technology Finance — together with Dumenil Unit Trust Management holds a little less than 6 per cent of the construction, energy and health care company.

For the preference offer acceptances have been received on behalf of 32.52 per cent of the shares.

Demerger wants to split L and N into four companies and refloat them. It has been granted official clearance from Inland Revenue

Yesterday, Mr Peter Earl, a director of Ifincorp Earl, said he was "ecstatic" at the acceptances, which had come from 1,332 registered holdings, about 12 per cent of L and N's total register.

To succeed with its scheme, Demerger would need 90 per cent acceptances. But Mr Earl said yesterday that even if only a simple majority was achieved, he believed that L and N directors would be obliged to sit down and talk about potential changes to the company and its management.

However, Mr Charles Mackenie, an L and N director, said that he was "not really surprised" by the level of acceptances. "There are the shares they own plus loose holders who have come in," he commented.

Yesterday, L and N shares dropped 1p to 71½, well below the 81p cash alternative.

Eagle Star shows growth

NEW BUSINESS figures from Eagle Star showed worldwide life and pensions premiums up by 54 per cent from £272m to a record £420.1m. New annual premiums rose 25 per cent to £62.1m, while new single premiums were 61 per cent up at £358m.

UK figures also displayed substantial gains. New business premiums, at £251.8m were 34 per cent higher than in 1985. Annual premiums rose 17 per cent to £25m, and single premiums increased to £226.8m, a rise of 36 per cent.

The company also reported strong growth in the mortgage-related endowment field which resulted in a 59 per cent increase to £10.4m in traditional life assurance new yearly premiums.

The Rainbow range of unit-linked bonds and unit trusts, launched in 1985, attracted lump sum investments of over £73m during 1986.

Lopex move

Lopex, the communications group, has merged its two wholly-owned subsidiaries, ASL and Lane Advertising & Marketing, to create ASL Lane.

Mr John Castle, the chairman and chief executive of Lopex, said he expected the new agency to move swiftly towards the top

ASL Lane has billings of £20m and includes Apricot Computers, Beecham, Marconi and Bovis among its clients.

Newmark plunges 24% hit by weak sterling

STERLING'S fall against the Swiss franc and the D-mark saw interim figures plunge almost 24 per cent for Louis Newmark, precision engineer and watch distributor.

Pre-tax profits fell from £681,000 to £518,000 for the six months to September 27 on slightly higher turnover of £20.4m (£19.85m).

Directors said the figures would have shown an increase but for sterling's depreciation. They warned that the second half would feel its full effect but said excellent pre-Christmas watch sales would help to offset this.

They predicted better watch margins after price realignments but also foresaw currency pressures on needle merchanting.

The company's manufacturing divisions produced trading profits similar to the first half of last year and should repeat that in the second half, they said. Group profits for the year should be about £1m.

"However, the board continues to assess carefully the prospects of the defence-related parts of the business where the outlook for future orders is generally uncertain and in the helicopter field is decidely bleak."

Profits were hit by development costs at Newmark Tech and computer development costs at Vernon's totalling £561,000.

Group profit was £1m (£1.1m) before depreciation of £507,000 (£488,000). Tax took £181,000 (£272,000).

Earnings per share fell from 13.3p to 11.4p and directors declared an unchanged interim dividend of 5p.

Sturge merger with Wise to go ahead

By Nikki Tait

Sturge Holdings, the only publicly-quoted underwriting agency in the Lloyd's insurance market, announced yesterday that its planned merger with Wise Speke, the Newcastle-based stockbroking firm, is to go ahead. Talks between the two groups were revealed in November.

Sturge has been granted the option to acquire the entire share capital of Wise Speke for £6.76m, to be satisfied by the issue of 1.67m shares to WS partners. They have projected profits before tax of £800,000 for the year to April 1987, and warranted that the net assets of the business will be not less than £266,000.

After the acquisition, Wise Speke will become an autonomous part of the Sturge group and its senior partner, Mr Kit Pumphery will join the Sturge board.

Wise Speke has some 15,000 private clients, one-quarter of which are in London and the Home Counties, and a number of these may become Names through Sturge agencies. A similar use of Wise Speke services by Sturge Names is expected.

UK COMPANY NEWS

Dowty up 33% and orders at record

BY PHILIP COGGAN

Dowty Group, engineer, yesterday announced interim pretax profits up 33 per cent at £23.4m and an order book standing at a record £600m.

Lord Sandon, the chairman, said that although the second half would not produce the same surge in profits as last year, full year results should show satisfactory growth.

Earlier this month, the group was reorganised into five divisions after the electronic division was split into electronic systems and information technology. These results however are presented on the old four divisional basis.

Aerospace is the largest sector and its profits were 35 per cent higher at £14.07m (£10.42m) on turnover 10.4 per cent higher at £110.8m (£100.4m).

Margins were higher as engineering spend decreased as a proportion of turnover and turnover growth came from the civil rather than the military side.

Production and delivery of the main landing equipment for the Airbus A320 is on schedule.

Mining profits were 127 per cent higher at £4.9m (£2.17m) on turnover 9 per cent higher at £70.8m (£64.9m) thanks largely to strength in overseas markets.

Electronics profits were only 7.6 per cent up at £3.08m (£2.86m) on virtually static turnover as the division incurred considerable expense on new business opportunities whilst Sidewinder deliveries will not commence until next year.

The industrial division was held back by reduced demand and lateness in some order releases. Profits were 5.6 per cent lower at £2.46m (£2.60m) on turnover 6.5 per cent up at £30.36m (£28.51m).

Group trading profits were 37 per cent higher at £25.09m (£18.26m) on turnover of £260.3m (£240.8m).

After redundancy and closure costs of £491,000 (£190,000), interest payable of £1.27m (£651,000) and tax of £8.56m (£6.39m) earnings per share were 31.5 per cent up at 7.1p (5.4p).

The interim dividend is being raised to 2.6p (2.3p).

● comment

The revamped Dowty management is making much more strenuous efforts to bring their message to the City and with results like these, their task should not be too difficult. Aerospace is obviously the star with the Airbus projects giving hopes for future growth. But mining has held up particularly well, despite the fact that the market for roof supports is caving in. The industrial division proved the only disappointment owing to a shift in mix towards the lower margin components. As the contrast between last year's second half and this year's first half shows, Dowty's margins bounce up and down with its R & D spend. The fairly clear warning in the statement indicates that too much should not be expected from the second half but £56m pre-tax looks feasible, which should mean that the shares, at 243p on a prospective p/e of 14, will maintain the gains made during the recent good run.

Dudley wins Burns-Anderson acceptance

By Clay Harris

Burns-Anderson, the Manchester-based Fiat dealer and financial services group, yesterday recommended the increased takeover offer from Dudley, a private investment company.

The 115p cash bid values Burns-Anderson at £23.6m. Dudley, owned by West Midlands property development twins Ron and Donald Richardson, already controls 26 per cent of the shares. It had given assurances that the future of all executive and non-executive staff would be fully safeguarded.

Mr Ivor Black, Burns-Anderson chairman, said yesterday that he had been told to continue running the company as before. In its offer document, Dudley said it planned a review of Burns-Anderson's holdings to decide which parts should be expanded, sold or floated off.

In addition to Britain's largest Fiat dealership and a glowing financial services division, Burns-Anderson also owns a shopfitter, office furniture supplier and steel stockholder.

The shares closed unchanged at 111p.

Gestetner profit falls but restructuring is on the way

The new Australian-controlled management at Gestetner Holdings yesterday set the stage for a radical restructuring of the office equipment group. Under immediate scrutiny is the company's own software development for desk-top publishing.

Gestetner also reported pretax profit of £10.65m (£11.58m) in the year to November 1, slightly below its forecast when AFP Holdings bought a 14 per cent stake with a £14m cash injection.

Mr Basil Sellers, Gestetner's new chairman, is moving quickly to put his own stamp on the company. He will act as chief operating officer until a second managing director, responsible for day-to-day operations, is recruited.

Mr David Gestetner, managing director since 1982, will now concentrate on finding new products to sell under the Gestetner name. Mr Sellers said that Mr Gestetner, because of his long personal ties with the company, would have found it extremely difficult to take the tough restructuring decisions that were necessary.

Mr Sellers also said that Mr Jonathan Gestetner would shift to a non-executive role on the board.

"We'll be marketing-driven, rather than production-driven," Mr Sellers said. "The horizons of the business would be wider than they are. We'll be looking at a very broad range."

In addition to possible changes in desk-top publishing, where start-up costs reduced operating profit by £2m, Gestetner will also review its worldwide distribution system. Direct-selling seemed to be expensive compared with using dealers or franchises, Mr Sellers said.

Gestetner has eliminated its £6m in sterling borrowings with the proceeds of the share issue to AFP, with the balance still invested in the money market. Mr Sellers did not expect Gestetner to have to call this year on any of the £115.6m AFP has promised to put up if necessary.

"I don't think that we should reach out and make acquisitions when we don't have our own house in order."

Pre-tax profit was helped by a £1.83m net extraordinary credit, reflecting the surplus on the sale of property in North America reduced by the provision for removal costs and additional costs for rationalisation within the UK. Profit before exceptional items was 28 per cent down at £8.81m.

Operating profit was up strongly to £6.9m (£4.2m) in EEC countries apart from Britain, static at £5.05m in Africa, Asia and Australasia, but fell in every other area.

UK contribution dropped to £4.59m (£6m, and that of the Americas to £2.78m (£6.11m) because of a disappointing performance in the US and Canada and the weakening of the Mexican peso. Management problems in Sweden cut profit from non-EEC Europe to £217,000 from £1.15m.

Overall turnover crept ahead to £389.2m (£387.8m).

Stated earnings per share fell to 9.58p (13.2p), with fully diluted earnings of 9.38p (10.39p) calculated before the issue of shares to AFP. Unchanged dividends from 1984-85 are proposed, with a final 1p making a total of 1.5p.

See Lex

Oxford and UEI merger talks continuing

The boards of Oxford Instruments and UEI, the two fast-growing high technology groups which announced talks aimed at a possible merger on Monday, remained locked in meetings yesterday.

Originally, it was suggested that an announcement might be made yesterday, but all the two companies would say was that "positive discussions" were continuing and that full board meetings are to be held on Monday, January 26. A decision looks likely then.

Oxford shares dropped 1p to 432p, while UEI climbed 12p to 367p.

GrandMet sale

Grand Metropolitan has sold for £1.1m its High Technology Electronics subsidiary to Alan Patricof Associates, the venture capital arm of the MMG Patricof Group.

High Technology, specialist computer company based in Southampton was formed as a start-up company in 1979 and has a current turnover about £5m. The directors said it no longer fitted into GrandMet's corporate plans.

Alan Patricof is investment adviser to venture funds in the U Ktotalling £40m.

Hodgson lifts 60% to £0.8m

BY MIKE SMITH

Hodgson Holdings, the fast-expanding funeral company, yesterday reported that pre-tax profits in the year to the end of last October were up 60 per cent at £840,000.

Earnings per share rose from 5.8p to 6.6p, a rise of 14 per cent. The relatively small increase is largely the result of the company's flotation last year, which led indirectly to a revised and unusually low tax charge for 1985.

In future, earnings per share growth is more likely to keep pace with profits expansion.

Mr Howard Hodgson, chairman and managing director, said the profits out-turn, which compares with a £730,000 forecast given at the time of the flotation, owed much to the eight acquisitions made during the year. These had increased the number of funerals conducted by 25 per cent annually.

"The companies acquired in the second half of the year had a limited effect on last year's performance, but will make a full contribution to the financial results of the current year," Mr Hodgson said.

Since the year-end Hodgson has bought another three undertakers, adding a further 1,300 funerals per annum and increasing the company's total to more than 8,000.

Mr Hodgson said the company intended to continue its policy of acquisition and rationalisation so that it could benefit from economies of scale.

The three latest additions, all in Cardiff, took the company into a new geographical area. Rationalisation should result in the reduction of fixed overhead costs, and therefore increased profitability.

Turnover for 1986 was £2.7m (£1.9m). Interest payments were £148,000 (£102,000) and tax took £312,000 (£111,0003.

A final dividend of 1.13p net is proposed, as forecast in the flotation prospectus.

● comment

The death rate may be static but that presents few problems for the expansion of Hodgson. A few years ago undertaking was very much a family affair, but as the amount of money spent on funerals has declined more companies have come up for sale. Hodgson and others have therefore been able to buy up competitors and then introduce classic economy of scale policies. This is one reason for pre-tax margins in 1986 of about 30 per cent. Another has been the company's growing success in selling ancillaries such as flowers and memorials. The coming year should see profits in the £1.2m range, putting the shares at 196p, down 1p, on a prospective p/e of 22. The high rating will put some investors off but the shares, which traded at just 85p when the company was floated last June, represent reasonable value for those prepared to take the long view.

Share Drug Stores starts well

The new financial year had started well at Share Drug Stores, the annual meeting was told, but the bad weather experienced during the subsequent period did not help business and, as a result, sales to date had been below budget.

There had been an increase in the underlying sales growth compared with the second half of last year and, in particular, Christmas goods sold through very well.

Competition in the high street continued at a high level, but the chairman said he was confident that through the new opening programme, through improved merchandising and greater productivity within the stores, the company was building a sound platform for excellent growth

Babcock expansion

Babcock International has acquired, through its La Teledynamique subsidiary, La Societe Des Cables Du Mans, the principal supplier of brake cables and clutch cables for Renault and PSA in France and also clutch cables for VW Germany. The deal was worth between £2m and £3m.

La Teledynamique, a leading automotive parts manufacturer, is a member of the Acco Controls Group, part of Babcock's North American operation.

The recent rights issue announced by United Guarantee (Holdings) was taken up to the extent of 11,980,147 shares (92.27 per cent). The balance was placed with institutional clients of Lyddon & Company.

Eurotrust bids for Gen. Funds

F. & C. Eurotrust is making a contested bid for the General Funds Investment, an investment trust more than twice its size.

General Funds ordinary shares will be valued at their formula asset value and Eurotrust is offering ordinary shares valued on a similar basis and priced at a premium of 4 per cent.

A cash alternative values the ordinary shares at 96.2 per cent of their fav and preference shares at 100p each.

Eurotrust holds a 14.8 per cent stake in General Funds, acquired in November.

Mr Patrick Crichton, Eurotrust chairman, said the acquisition would continue the recent rationalisation of the investment trust industry. He said investment trusts were under-invested in Europe.

Eurotrust intends to sell General Funds' non-European investments and reinvest the proceeds in Europe.

General Funds urged shareholders to take no action.

Eurotrust's shares closed at 295p, down 10p. General Funds' ordinary shares closed up 4p at 226p and the convertible 2p higher at 255p.

General said: "No rationale has been put forward for this attempted fund-raising exercise by Eurotrust." It added that the cash offer was inadequate and that many shareholders would not want to exchange shares in an international investment trust for shares in a specialist trust.

Eurotrust, managed by Foreign & Colonial Management, had net assets of £32.1m on June 30. All its investments are in Europe, with about 2.8 per cent in the UK.

General Funds had net assets of £72.6m on July 15. About 11.1 per cent of its fund was invested in Europe, with the UK and Japan accounting for the largest share of its remaining investments.

General Funds' sister trust, Investing in Success, is resisting a takeover from Panfida Capital, an Australian Group.

Clarke Hooper advances 22%

ON A turnover ahead by 41 per cent to £5.04m, the Clarke Hooper sales promotion consultancy group lifted its profit by 22 per cent, from £397,000 to £485,000, for the half year ended October 31 1986.

But in the previous period there was an added £67,000 exceptional credit, making the pre-tax profit £464,000.

Earnings moved up to 4.26p (3.48p) and the directors meet their promise of an interim dividend—it is 1p net. The company's shares were placed on the USM in May 1986.

The directors said prospects remained good for growth and 1987 would be an important year for expansion through acquisition. The wider developments would be through the purchase of established businesses which must offer high added value services and have strong management.

The objective remained to ensure continued successful growth for Clarke Hooper Consulting and to develop a broader range of marketing services.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
John Beales ....int	1.5	Feb 20	1.35	—	4.8
Centrovincial Ests int	3.25	Apr 6	3	—	6
Derby Trust ...2nd int	4.86	—	4.69	9.12	8.37
Dowty ....int	2.6	Mar 31	2.3	—	5.5
Fitch Lovell ....int	3.8	—	3.5	—	10.5
Thomas French ....int	†1.73	—	1.73	2.88	2.88
Gestetner	1	—	1	1.5	1.5
Hill & Smith ....int	2.9	Apr 6	2.6	4.2	3.85
Hodgson	‡1.13	—	—	1.3	—
MS Intnl	0.5	—	0.5	—	2
Louis Newmark ....int	5	—	5	—	14
Symonds Eng ....int	0.3	Feb 28	0.3	—	0.9125
Wiggins Group ......int	1.25	Mar 4	nil	—	0.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

UK COMPANY NEWS

Raymond Snoddy looks at Capital Radio and the company's plans for a stock market quote

Floating into the City on the right waveband

A QUICK glance at the foyer of Capital Radio, London's music and general entertainment commercial radio station to be floated on the Stock Exchange next month, reveals a great deal about the nature of the company.

On one side there are the desks of the station's Job Finder service for young people — actually a fully-fledged if rather unorthodox job centre staffed by the Manpower Services Commission.

On the other, a shop selling tee-shirts and other products designed to make profit and emphasise the station's identity.

Surrounding both there is the sound of the latest pop music—Capital's main stock in trade which helps to attract a regular weekly audience of over 3m listeners.

The station's results over the past five years show in a similar way the effects of public service obligations sitting side by side with the pursuit of profit.

In 1982 Capital made pre-tax profits of £1.61m on a turnover of £15.74m and last year £1.71m on a turnover of £18.46m—a ratio of profit to turnover that declined from 10.2 per cent to 9.2 per cent over the period.

Apart from the volatility of advertising revenue the largest single factor determining Capital's financial performance has been the special payments made to the Independent Broadcasting Authority (IBA) and the Treasury before normal company taxation.

Capital pays the IBA "primary rental" to cover the cost of the transmitters and regulation, and then "secondary rental" if profits rise above a certain threshold. Then in the past there has been a 40 per cent Treasury levy to be paid on profits after the IBA has had its cut.

All that is about to change and in a more de-regulated environment Mr Nigel Walmsley, Capital's managing director, believes both Capital, the flagship of independent local radio (ILR) system, and commercial radio as a whole are in for a period of expansion.

Last April the Treasury levy was reduced to zero for radio stations and in September the IBA cut primary rental by a minimum of 26 per cent.

The changes will probably mean between £300,000-£400,000 extra profit for Capital in a full year.

In the longer term even more dramatic changes are under way.

A Government Green paper on the future of radio in the UK to be published in February significant measure of de-regulation is expected to advocate a regulation.

The Cable Authority, which at present regulates the cable television industry with "a light touch" and a tiny staff, would be given the task of overseeing commercial radio instead of the IBA.

Stations would have the right to own their own transmitters for the first time, barriers to sponsorship money would be lowered and a new "third tier" of community radio stations created.

Mr Walmsley, a former marketing director of the Post Office, believes "it is fundamental for the whole development of radio not only to have consistent policies through time but as between the different elements of the market.

Mr Douglas Hurd, the Home Secretary, has said the aim is to produce a blueprint to take radio into the next century.

The Capital managing director concedes that if the Government's proposals become law the station could face more competition but adds: "We will win more than we lose."

Capital, which began broadcasting in 1973, had its franchise renewed in 1984 and intends to apply again when the current contract runs out in 1992.

Throughout, its chairman has been Sir Richard Attenborough, hte film producer and director who had to underwrite Capital's overdraft in the difficult early loss-making days.

About 25 per cent of the company' shares will be on offer and the price is expected to value Capital, which also owns the Duke of York's theatre, in London, at about £13m.

No new money is being raised and corporate shareholders, which include Paul Ramsay Broadcasting of Australia, Dominfast Investments, Rediffusion Radio Holdings and Express Newspapers, will all give up some shares to make the flotation possible.

An undertaking to float was given to the IBA at the time of the last franchise application. Capital also wants to have the mechanisms in place should it want to issue new shares in future to fund expansion.

Barclays de Zoete Wedd, the merchant bank handling the float, expects the main interest to come from private shareholders. More than 7,000 have already responded on a special phone line publicised on Capital programmes.

Nigel Walmsley says Capital is planning to expand its operations within the communications industry.

Later this year he wants to double to 20 hours a week Capital's second channel — CFM — the separate programmes broadcast each Sunday on its FM frequency.

CFM, and the possibility of broadcasting to more specialised audiences, is, Mr Walmsley believes, "a viable business wanting to be let out of the cupboard."

Capital is also keen to play a central role in the creation of Independent National Radio (INR), the planned national commercial channel expected to get the go-ahead from the Government.

The station would like to apply for the INR franchise with a consortium of ILR companies.

Acquisition of other ILR stations has not been ruled out and a move into independent television production is being actively considered.

Mr Nigel Walmsley (left), Capital's managing director, who believes there is a period of expansion ahead for both the company and commercial radio as a whole, and Sir Richard Attenborough, chairman, who had to underwrite Capital's overdraft in the difficult early loss-making days.

Wiggins tops £0.5m and restores interim dividends

Wiggins Group, London-based motor retailer and property developer, raised its profits by £400,000 to £528,000 pre-tax in the opening half of the 1986-87 year.

In the light of the performance to date together with that anticipated for the rest of the year the directors are restoring interim dividends with a payment of 1.25p net per 10p share.

Turnover for the half year to September 30 1986 declined from £30.51m to £25.97m and gross profits slipped from £2.66m to £2.48m. Margins at this level, however, edged ahead from 8.7 per cent to 9.5 per cent.

Pre-tax profits were struck after taking account of a £574,000 fall in administration expenses to £1.33m and interest charges of £630,000 (£623,000). There was no tax charge (£130,000), but below the line there was an extraordinary provision this time amounting to £175,000.

Earnings worked through 2.7p higher at 5.3p per share.

For the full 1985-86 year the group increased its turnover to £53.72m (£52.71m) and turned round from losses of £1.32m to profits of £768,000 pre-tax. Shareholders received a dividend of 0.5p.

Centrovincial lifts interim

Centrovincial Estates, property investment and development company, reported interim pre-tax profits almost unchanged at £1.26m against £1.27m. It is raising its interim dividend from 3p to 3.25p.

Gross rental income for six months to end-September 1986 was £4.6m (£4.54m) and earnings per 20p share came out at 5.41p (5.44p).

The directors said that opportunities to improve income through refurbishment were being pursued where possible.

Net income was £2.6m (£2.72m) and there was a lower interest charge of £1.35m (£1.61m). Last time there was a provision of £150,000 on dealing properties, net of realised profits. The tax charge was £394,000 (£400,000) and minorities took £15,000 (£12,000).

BOARD MEETINGS

TODAY

Interims: AGB Research, Brunning, Turnbull Scott.

Finals: Kuala Lumpur Kepong Berhad, Standard Securities.

FUTURE DATES

Interims—

Bromsgrove Industries	Jan 30
Douglas (Robert M.)	Jan 29
Dyson (J. and J.)	Jan 30

Finals—

Ernest Jones	Jan 29
General Consolidated Inv Tst.	Feb 11
Ibstock Johnsen	Apr 1

Thomas French lifts profits 31% to £1.2m

A 31 per cent improvement in pre-tax profits, from £947,000 to £1.24m, was achieved by Thomas French & Sons in the year to September 27 1986.

Although sales for this Manchester-based curtain styling and electrical heating products maker fell from £26.88m to £26.23m, operating profits moved ahead to £1.24m (£905,000). Related companies added £1,000 (£42,000).

The dividend is held at 2.375p for the year, with an unchanged 1.725p final.

After tax £985,000 (£769,000) and minorities of £370,000 (£60,000), earnings worked through at £336,000 (£115,000) for earnings per 10p share up from 1.09p to 2.98p.

There were extraordinary debits of £931,000 this time, comprising profit on the sale of Lilleys, Narrow Fabrics business and the loss on the sale of Thomas French & Sons (South Africa), including full provision against the proceeds of sale.

John Beales rises 76% at midway

Increased activity throughout the group's operations boosted pre-tax profit of John Beales by 76 per cent in the six months to November 30 1986.

Turnover of this manufacturers of men's socks, underwear and outerwear, which has also diversified into refrigeration equipment and electrical components, rose from £7.69m to £8.9m.

Profit before tax advanced to £602,000 against £342,000, while tax accounted for £36,000. There was no tax charge for the comparable period. Earnings per share came out at 14.3p (8.8p) net, and 13.9p (8.1p) fully diluted.

An interim dividend of 1.5p (1.35p) is proposed.

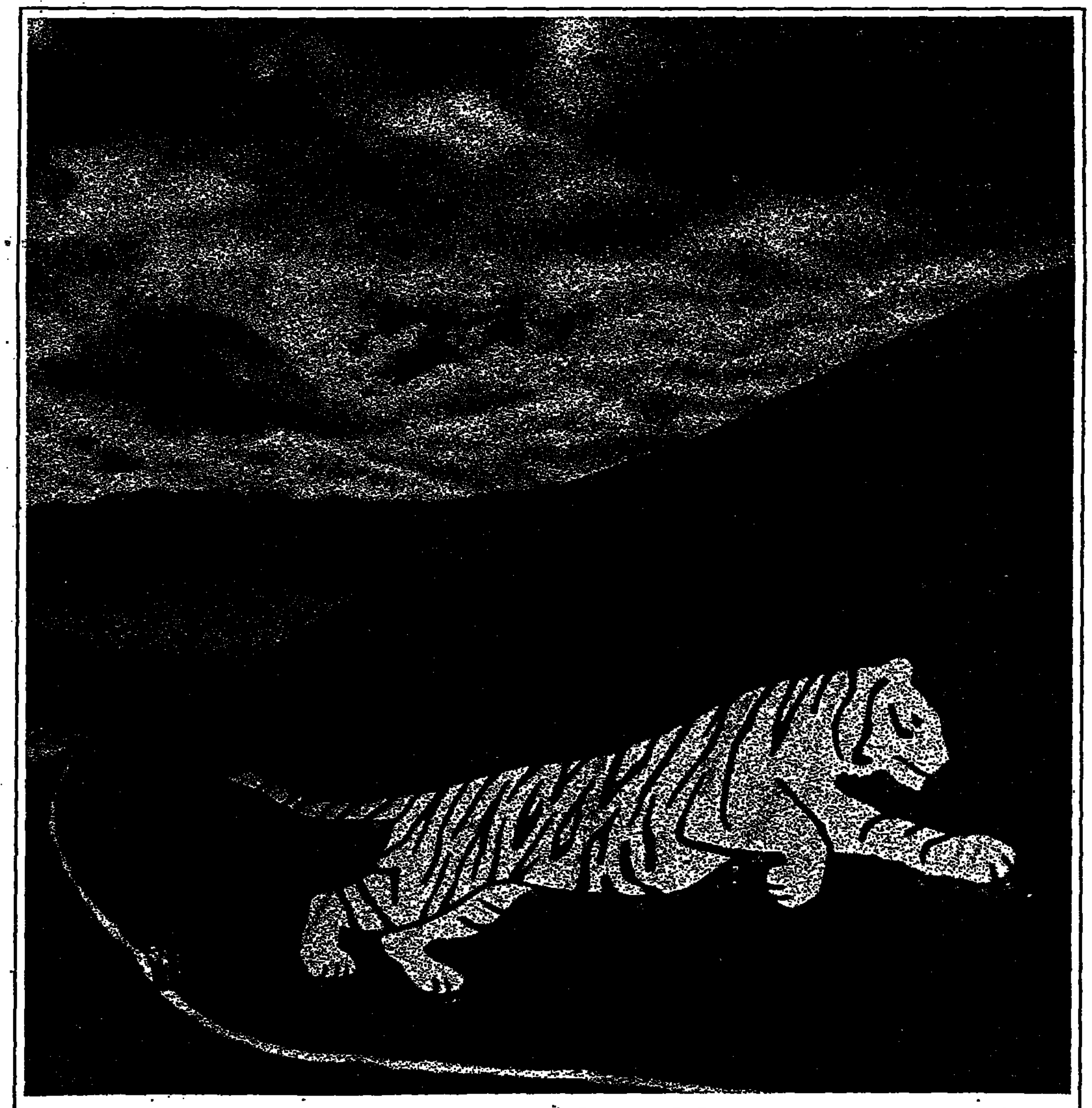
The directors stated that forward orders were excellent and although the sharp upturn in first-half profits was unlikely to be repeated, secondlhalf earnings were expected to show a significant increase over that for hte same period last year.

Churchbury Estates advances to £2m

Churchbury Estates, property investment and development company, reported pre-tax profit up from £1.7m to £2m in the six months to September 30, 1986. Gross rental income remained steady at £2.7m for the period and property outgoings accounted for £248,000 (£253,000).

The directors reported that the Buckingham Estate in the Strand, London, was currently being revitalised and a further five properties were in the process of or about to be developed.

Interest received and other income fell from £98,000 to £8,000 and finance charges dropped from £877,000 to £770,000. After tax of £899,000 (£773,000), earnings per 1p share emerged at 14.92p,



UK COMPANY NEWS

Fitch Lovell rises 15% to £10.4m

Fitch Lovell, the food manufacturer and distributor, produced a 15 per cent increase in its interim pre-tax profits from £9m to £10.4m.

The group has bought and sold 30 businesses in three years, turning to manufacturing and distribution activities with higher margins.

The result has been lower turnover and higher profits — with a 21 per cent increase to £19.7m for the year ending April 1986.

Turnover for the six months to October 25 continued to fall, this time from £231.66m to £219.2m. Interest swung from a £497,000 contribution last year to a payment of £82,000. Tax rose slightly from £3.5m to £3.8m.

Earnings per ordinary share rose 12 per cent to 10.11p from 9.01p and directors declared an interim dividend of 3.8p, up from last year's 3.5p.

Since the end of the half year the group has expanded its distribution division with the acquisition of Snowdon & Bridge, which distributes groceries to caterers, and the agreement of terms to acquire Pullman Foods, frozen foods distributor, for £5.5m.

Mr Geoffrey Hankins, the chairman, said the manufacturing division reported a substantial increase in sales and profit with turnover at £127.62m (£94.8m) and profit before interest of £7.2m (£5.03m).

The distribution division showed a modest advance, with profits rising from £3m to £3.3m and strong progress in frozen foods and catering supplies offset by weakness elsewhere.

Fitch Lovell was continuing to strengthen its position as a major supplier to leading retailers and caterers, he said.

"We are concentrating our resources and investing in the growth areas of the food industry. By acquiring Snowdon & Bridge and Pullman Foods we have a unique opportunity to establish a national catering supplies business.

"We are in a strong position to take full advantage of this and other acquisition opportunities which meet our criteria."

● comment

Sausages and pies have never been quite the same since World In Action revealed just what went into them a year ago, but Fitch Lovell's more fashionable products made good progress and compensated for some of the weaknesses on the distribution side. If the growth in manufacturing profits outpaced that of distribution in the first half, the position could be reversed in the second six months because higher fish prices will hold back Bluecrest and Kilroy while Snowdon & Bridge and Pullman begin to make their first contributions. Overall, the full-year out-turn seems likely to reflect the 15 per cent advance at the interim stage, producing £22.5m and a prospective p/e of 12½ at yesterday's close of 269p. Fitch Lovell's shares have been dull performers over the last year and seem likely to remain so awhile yet: the widening spread of interests seems to be smoothing out growth as much as enhancing it, and the rising tax charge remains a handicap.

Symonds' hopeful outlook

Symonds Engineering, which operates in a wide field of light engineering and machine tool manufacture, lifted taxable profit for the six months to September 30, 1986, to £78,658 from £55,890, on turnover increased from £1.79m to £2.02m.

Tax took £29,000 against £21,384 last time, but there was an extraordinary net profit of £96,865 (£76,699) on the sale of part of the listed investment. Earnings per 5p share were 0.483p (0.332p).

The directors, while encouraged by increased sales, reflected that the profits upturn left scope for improvement. Order books remained firm, however, and a satisfactory outcome for the current year was envisaged.

The interim dividend is unchanged at 0.3p.

COURTNEY POPE HOLDINGS has agreed to purchase 75 per cent of the share capital of W Potrafke (UK), a point of sale equipment company. Total consideration is £265,000. W. Potrafke has annual turnover of about £1m and pre-tax profits of £125,000.

CITY AND FOREIGN Investment: Net asset value at December 24 1986 was 136.67p, against 141.13p a year earlier. An unchanged single final payment of 1p is proposed.

Hill & Smith profit rises above the £2m mark

Hill & Smith Holdings, a steel stockholder and fabricator, reported record results for the third successive year and saw pre-tax profit exceed £2m for the first time.

On turnover that moved ahead from £27.4m to £29.4m in the year to September 30 1986 the company turned in profit up 24 per cent to £2.1m (£1.7m).

The directors also announced a proposed 1-for-5 scrip issue.

They commented that the current financial year had started well, with both turnover and profit for the first quarter reaching higher levels than for the corresponding quarter last year.

They said that the signs were that the current year would be one of continuing progress for the group. They expected to be in a position to declare and recommend dividends on the capital as increased by the proposed scrip issue at rates at least equal to the increased dividend rates reccomend for last year.

Tax payable invreased from £432,000 to £696,000 and profit attributable to shareholders rose from £1.2m to £1.4m. Earnings per 25p ordinary share worked through at 11.24p, up from last time's 10.15p.

The directors proposed a final dividend of 2.9p (2.6p), making a total for the year of 4.2p (3.85p).

DERBY TRUST: Net assets per income share 306p (248p). Second interim dividend 4.8609p (4.6924p) making total of 9.1153p (8.3681p) for 1986. After tax at £495,402 (£492,563) earnings emerged at £1.08m (£988,294) equal to 9.1153p (8.3681p) per share.

POWERLINE International: Lloyds Bank (Branches) Nominees, acting for Helmut Rienzner holds 816,000 shares (6.7 per cent).

UNILEVER'S acquisition of Chesebrough-Ponds will not be referred to the Monopolies Commission.

N. Zealand company takes stake in ILG

By Nikki Tait

A NEW Antipodean name emerged in the City yesterday. Omnicorp Investments, listed on the New Zealand stock exchange, has 7.2 per cent in International Leisure, the Intasun package tour company headed by Mr Harry Goodman.

At yesterday's price—ILG gained 4½p to 136½p—the holding is worth about £5m.

ILG said that it had met its new shareholder and relations were very amicable.

"Their policy is to take long-term investment stakes in companies," commented Mr Peter Woodward, ILG's deputy chairman. The stake has been acquired during the past three to four weeks.

Omnicorp, despite its listing, has only existed for a couple of years. Chase Corporation, the fast-expanding New Zealand-based property investment group, holds a stake of about 40 per cent.

It is primarily an investment company, with about 50 per cent of its funds held outside New Zealand. According to ILG, there are plans to open an office in London later this year, but this is its first declared stake in a UK company.

"It has some interests in travel and we are looking at ways of using our interest together, though I wouldn't want to overplay that," added Mr Woodward.

ILG is the second major tour operator to acquire a New Zealand-based shareholder. Mr Ron Brierley's IEP holds a 17 per cent stake in Horizon.

Improvement seen at Redfearn National

Mr John Pratt, chairman of Redfearn National Glass, told yesterday's annual meeting that production, in terms of both volume and quality, was showing a steady improvement.

The first quarter had gone well, he said, and the company was maintaining good progress and a continuing upward trend in performance.

Continuing businesses show £0.5m profit at MS

INCLUDING a loss of £856,000 from the discontinued businesses of Laurence Scott—disposed of in June 1986—MS International, mechanical and electrical engineering group, suffered a pre-tax loss of £370,000 for the 26 weeks ended November 1 1986, compared with £1.34m profits previously.

Continuing businesses produced a turnover of £22.54m and pre-tax profits of £486,000 with all three operating divisions continuing to trade profitably.

Turnover totalled £24.9m (£32.12m) which included £2.4m from the Laurence businesses.

The directors stated that historically the first quarter of the year had always suffered from low activity—recovered as the year progressed—owing to the capital-goods nature of the product. The loss before tax reflected the problems associated with that seasonal cycle together with the period of negotiation and handover to the new owners.

The directors said that [illegible] the group's overall [illegible] heavily overshadowed by the losses taken in the discontinued businesses, the underlying trend in the continuing businesses was good. The economic benefits of concentrating six separate manufacturing units of Mining Supplies (Longwall) into one new purpose-built factory and the rewards of production of the Defence Equipment and System's gun-mounting were yet to be fully realised.

As a result the directors look forward with optimism and are maintaining the interim dividend at 0.5p—last year's final payment was 1.5p and pre-tax profits totalled £2m (£492,000 loss).

Including the discontinued sector there was a trading profit of £563,000 (£2.26m), but interest payable took £933,000 (£1.04m). Tax charges was £200,000 (£250,000) and after minorities £101,000 credit (£64,000) an extraordinary debit of £4.81m—loss on sale of Laurence Scott—and including a transfer from capital reserves of £3.71m, the deficit came through at £1.57m, against £1.05m profits.

Loss per share was given as 2p, compared with earnings of 4.4p.

The directors stated that considering the upheaval in the electrical engineering division associated with the disposal of Laurence Scott, results of this sector were satisfactory. Companies in the mechanical engineering division performed reasonably well although depressed order intake during August had a detrimental effect on the result.

They added that the mining equipment companies experienced mixed fortunes because of irregular fluctuations in the pattern of ordering revenue equipment in the home market and a greater proportion of new capital installations overseas at competitive margins.

● comment

MS International's results were worse than bad: they were unexpectedly bad, and if the share price fell only 8p to 85p, it was probably more because of the baffling presentation of the figures than any sense of confidence in the company's performance. The discontinued activities may have gone away, but their legacy is a dispute with the purchaser which has left MS (temporarily at least) £1.5m out of pocket and with net debt back-up to 90 per cent of shareholders' funds. Nor have the continuing activities been a great source of solace—though an unprofitable South African contract and problems with a new factory for the mining equipment division apparently left the pre-tax figure £1m lower than it might otherwise have been. On present form, forecasts for the full-year figure are being halved from £4m to £2m, leaving the company looking accident prone and the shares well over-rated on a prospective p/e ratio of over 15.

FT LAW REPORTS

Building law is not time-barred

KETTERMAN AND OTHERS v HANSEL PROPERTIES LTD AND OTHERS

House of Lords (Lord Keith of Kinkel, Lord Brandon of Oakbrook, Lord Templeman, Lord Griffiths and Lord Goff of Chieveley): January 22 1987

THE SIX-YEAR period in which to start proceedings in respect of a house built with latent defect begins to run when the resultant damage comes into existence, not when it is discovered; and leave to amend the defence enabling it to plead limitation as from an earlier date than was originally believed available may be set aside if it was given on the basis of the court's misapprehension that the defence of limitation would not in fact be raised.

The House of Lords so held (Lord Keith and Lord Brandon dissenting in part) when dismissing an appeal by architects Jamieson Green Associates from a Court of Appeal decision that an action against them by plaintiff houseowners was time-barred.

LORD KEITH said that in 1975 the plaintiff houseowners bought five houses in Burgess Hill from the builder. In the summer of 1976 they all began to show signs of structural damage. On May 27 1980 the houseowners commenced proceedings against the builder claiming damages on grounds of breach of contract, and in tort.

The houseowners applied for leave to join the local authority and the architects as defendants. On June 23 1982 an order was made joining them as defendants. The order did not state explicitly that the specially endorsed writ should be amended, and the central office refused to stamp the writ. The houseowners' solicitor returned to court on September 8 1982 and an order was made giving leave to amend the statement of claim. On September 9 the writ was re-issued but the local authority and the architects were not served with a copy, as they should have been. Thereafter they behaved as if they were the second and third defendants.

The result was that technically the local authority and the architects had never been properly joined as defendants. But having participated in the proceedings as defendants, they could not now take that point.

Trial of the action began before Judge Hayman sitting as a deputy referee on November 23 1982. On December 10, counsel became aware of the House of Lords decision in *Pirelli [1983] 2 AC 1*, delivered the previous day. That case held that the date of accrual of a cause of action in tort for damage caused by negligent design or construction was when the damage came into existence, and not when damage was discovered.

Lord Fraser said: "There may perhaps be cases where the defect is so gross that the building is doomed from the start, and where the owners' cause of action will accrue as soon as it is built . . . Such cases . . . would be exceptional."

Counsel for the local authority and for the architects perceived they might have a defence of limitation as the decision indicated that in a case of the present kind the limitation period began to run from an earlier date than had previously been thought to apply. They accordingly applied for leave to amend their defences.

The architects proposed to plead that time began to run from one of the following events: (a) submission of plans to the local authority; (b) defective construction and/or completion; (c) purchase by the houseowners; (d) settlement of foundations caused or contributed to by defective design and/or construction.

So counsel had in mind to argue primarily that the houses were "doomed from the start" and paragraphs (a), (b) and (c) of the proposed amendments were directed to that aspect. Paragraph (d) was directed to the date decided in *Pirelli* to have been that on which the limitation period had started to run.

The judge allowed the amendments.

On February 14 1983 he delivered judgment in favour of three of the houseowners against the builder and the architects, and in favour of two of them against the builder only. He found negligence proved against the builder, the local authority and the architects. In the case of the two plaintiffs who failed against the architects, the latter succeeded on a limitation defence.

The houseowners and architects appealed to the Court of Appeal. The houseowners' appeal against the local authority was allowed, and also the appeals of two of them against the architects. The architects' appeal was dismissed.

On the present appeal by the architects there were four issues.

The first was what was the date of joinder of the architects as defendants? The question was whether by virtue of Order 15 rule 8(4) of the Rules of the Supreme Court they must be taken to have become parties on September 9 1982, when the effectively amended writ was issued.

Order 15 rule 8(4) provided that where a person was to be added as a party under rule 6 (as was the present case), he did not become a full party until "(a) . . . the writ has been amended . . . and . . . (if he is a defendant) has been served on him. . . ."

In *Seabridge [1968] 2 QB 46* the Court of Appeal held that the amendment took effect when it was stamped in the Central Office.

The plain language of the rule must prevail, and *Seabridge* should be overruled as wrongly decided. It followed that the architects were not validly joined as defendants until they lodged defences on October 6 1982, more than six years after damage to the fifth house occurred on September 9 1976.

The second issue was whether joinder of the architects was, for limitation purposes, to be related back to when the writ was originally issued.

The Court of Appeal held they were bound by authority to accept the relation-back theory.

Byron v Cooper (1844) 11 Cl & Fin 556, 579 constituted clear authority in the House of Lords against the relation-back theory.

It followed that, contrary to the view taken in the Court of Appeal, the date of joinder of the architects did not relate back to May 27 1980 and it was wrong in that it disallowed paragraphs (c) and (d) of the proposed amendments on the ground of such relation back.

The third issue ("the amendment issue") was whether leave to amend so as to raise the defence of limitation should have been granted with regard to the whole of the proposed amendments.

The Court of Appeal decided that irrespective of the relation-back aspect, paragraph (d) of the proposed amendments *should not have been allowed.* The Court of Appeal judgments on this issue did not canvass the principles to be applied in the exercise of the discretion to allow or disallow late amendments.

Therefore, insofar as they purported to exercise their discretion afresh, their exercise of it was erroneous and capable of being corrected.

The fourth issue was whether, assuming that leave should have been granted only in respect of paragraphs (a), (b) and (c), is to the effect of allowing a limitation defence to be pleaded on the "doomed from the start" basis, that defence succeeded.

The architects' argument involved two aspects. First, it was maintained that the houseowners' causes of action accrued when they became owners of houses with defective foundations, *in that they then suffered* economic loss because the houses were less valuable.

In *Pirelli* the argument that the cause of action arose at time of economic loss was rejected. This branch of the argument in the present case was inconsistent with *Pirelli*.

Second, it was maintained that a distinction must be drawn between cases where the defect was such that it must inevitably eventuate, and where damage might not eventuate.

Here the houses were doomed from the start because the event showed that damage was bound to occur eventually. Whatever Lord Fraser may have had in mind in his dicta it could not have been a building with a latent defect which must inevitably result in damage at some stage. That was precisely the kind of building *Pirelli* was concerned with and in relation to which it was held that the cause of action accrued when the damage occurred.

The present case was indistinguishable from *Pirelli* and must be decided similarly.

In view of the majority decision on the amendment issue, the appeal must be dismissed.

LORD BRANDON concurred with Lord Keith on all issues. The remainder of their Lordships concurred with Lord Keith, apart from on the amendment issue.

LORD GRIFFITHS, giving a majority judgment on the amendment issue, said that amendment (d) permitted the defendants on the face of its wording to argue that even if the houses were not doomed from the start and the cause of action arose at date of damage, they were all statute-barred by October 1982 when the defences were lodged.

It was apparent that neither the judge nor the defendants, at the time he allowed the amendment, had any intention that such an argument should be received by the court. The defendants had said they did not intend to argue that the claims were statute-barred.

When he exercised his discretion to allow the *amendment* on December 10 he clearly did not appreciate that it permitted or was intended to permit the defendants to argue that the *claims were statute-barred* by October 1982.

In those circumstances, the Court of Appeal was free to substitute its own discretion for that of the judge which had clearly been based on a misapprehension.

For the architects: Michael Ogden QC and M. V. Smith (Hewitt Woollacott & Chown)

For the houseowners: Christopher Symons (Herbert Smith & Co)

By Rachel Davies
Barrister

UK NEWS

David Lascelles on defensive moves by a potential takeover target

Standard tries to smarten up its act

STANDARD Chartered Bank bears all the signs of a ship preparing to repel boarders. The measures announced yesterday to shake up the management structure of its sprawling global network and boost its profit performance are clearly designed to strengthen defence against attack.

The measures are being taken six months after Standard Chartered successfully fought off the £1.3bn takeover bid by Lloyds Bank with the help of well-heeled Far Eastern friends—only to find itself at the centre of more speculation about its future and facing heavy loan losses in the Pacific region.

The bank's friends, Sir Y. K. Pao of Hong Kong, Mr Robert Holmes à Court of Australia and Tan Sri Khoo Teck Puat of Malaysia, who collectively bought 29 per cent in the rescue, joined the board (though Tan Sri Khoo later resigned after the National Bank of Brunei affair).

All are experiencing substantial paper losses from their investment, and must have been pressing for action to boost Standard's share price. It closed at 779p last night, compared with well over 800p at the time of the bid. However predictions that these "white squires" would seek to break up the bank into readily saleable bits to recoup their investment have not been borne out: Standard is still in one piece and seems set to remain so.

Whatever these shareholders do with their stakes, (Tan Sri Khoo has been offering his at 900p) the big threat that looms is of a renewed bid by Lloyds once the 12-month standstill required by the takeover code expires on July 12.

Lloyds has made a point of saying that it is keeping its options open. "We are not going to have a defence unless investors see that we are determined to improve our performance," said Mr Michael McWilliam, Standard's chief executive.

But as it strives to cement the loyalties of its friends, Standard's problem is that its 1986 results, due to be announced on March 24, will be distinctly disappointing.

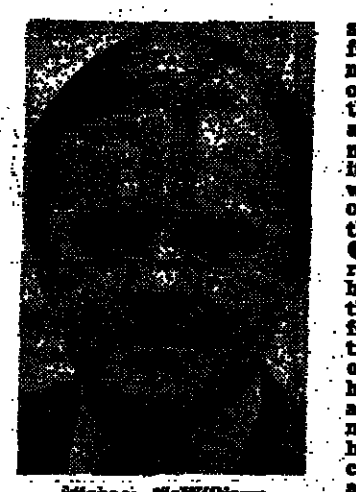
Mr McWilliam admits that the bank's exposure to the troubled Wah Kwong and Tung shipping empires, and to the collapsed Pan-Electric Industries group in Singapore "have knocked the stuffing" out of brokers' forecasts of £280m-£300m pre-tax. This suggests that profits will be little changed from the previous year's £268m — not a strong defence weapon.

But Mr McWilliam claims the figures will create the wrong impression. The underlying revenues generated by the bank are strong, he says, but the bank has had to make exceptionally large one-off provisions to "clean out" these bad debts.

With the big cost-cutting and efficiency drive launched yesterday, Standard hopes to achieve sharp improvements in its hitherto lacklustre earnings per share. About 170 jobs have been cut in London, and the new policy, Mr McWilliam says, is designed as much to save candle ends as create new attitudes towards control of costs and efficient use of resources. "We are doing a Kremlin-style self-criticism," he says.

Whether these measures will be enough to smarten the performance of a group with £30bn in assets remains to be seen. But the results will be closely watched by Standard's shareholders. Mr McWilliam dismisses reports of boardroom rows with the "white squires" as nonsense and says his relations with them are normal.

He also denies any intention of splitting off parts of the bank and selling them to local shareholders, particularly the Hong Kong operation, which is one of the bank's largest. "We have a large banking group which we are not in the business of dispersing," he said. "It does not even make sense to incorporate our branch in Hong Kong."



Michael McWilliam: determined to improve performance

However, he does hold out the possibility of changing the proportionate ownership of parts of the bank. This would mean selling off a stake to other investors. An operation of this kind took place recently with Union Bank, Standard's California subsidiary, which sold preference shares to US shareholders to finance Union's acquisition of a bank in neighbouring Arizona. Mr McWilliam also mentioned Chartered Trust, the bank's UK finance house, as a possible candidate for this treatment.

Standard has listed its shares on the Tokyo stock exchange, where Japanese shareholders now hold about 1 per cent of the equity.

Mr McWilliam is keen that the measures be taken as visible signs that Standard is doing something to improve its performance. But the announcement made no immediate impact on the market yesterday where the shares rose 7p. Stock analysts said Standard would now have to deliver the goods it had promised, and doubts would remain about the loyalty of its biggest shareholders until then.

● In the Standard Chartered reorganisation Mr Alan Orsich has been appointed an executive director, with responsibility for the international treasury, trading and eurocurrency operations of the group; he also has responsibility for Mocatta and Scimitar Asset Management. Mr David Millar, who has overall responsibility for commercial banking, has been appointed senior executive director.

Mr Robin Baillie has resigned his executive responsibilities due to ill-health, but will remain on the board as a non-executive director. Mr Richard Stein, executive director, is to assume wider responsibilities as executive director, finance and administration.

In addition to the executive directors, two newly appointed senior general managers will join the executive committee. They are Mr Bill Brown, who returns from Hong Kong to London to assume responsibility for the Asia Pacific Region upon the retirement of Mr Ralph Winton; and Mr Alan Wren, at present general manager, Africa, who will in addition take overall responsibility for the Middle East/South Asia region and for Standard Chartered Export Finance.

Mr Patrick Macdougall (chief executive, Standard Chartered Merchant Bank), who is already a member of executive committee, will assume overall responsibility for the UK, Chartered Trust and merchant banking.

Nappy producer to open factory in N Ireland

By Feona McEwan

SWADDLERS, a leading UK supplier of disposable nappies, is to open a factory in Antrim, Northern Ireland, creating 50 jobs over the next three years.

The factory will supply both the Republic of Ireland and Northern Ireland, a market worth about £21m a year. The 25,000 sq ft plant is to be set up with assistance from the Industrial Development Board for Northern Ireland.

Swaddlers, established in Gateshead, Tyne and Wear in 1984, produces Cares and Bonny Babe brands and supplies own label disposable nappies to several leading retailers, including Marks and Spencer, Waitrose and Safeway.

The plant underlines rapid growth in the disposable nappy market in Britain and Ireland, where the traditional terry nappy still provides strong competition.

CAA to review air competition

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE CIVIL Aviation Authority is to review with airlines, airport authorities and air transport users the way it deals with anti-competitive behaviour by airlines.

The review has arisen because of an attempt last year by the independent Britannia Airways to limit the extent to which soon-to-be-privatised British Airways could participate in the marketplace.

Britannia did not succeed, but Mr John Moore, the Transport Secretary, thought the case raised issues worth further consideration.

These include the adequacy of information available on airliners' trading practices, costs and pricing policies; the need to establish more precise criteria for determining what constitutes anti-competitive behaviour; whether existing licensing procedures are adequate.

Mr Christopher Tugendhat, CAA chairman, said: "How to define and deal with anti-competitive behaviour is a problem which increasingly faces regulatory authorities all over the world."

When the authority agreed to undertake this consultation, his department therefore saw it as a further step for securing the ... and ... competition. The ... departments ... always be ... effective ... British airlines ... ... effectively in world markets.

Isle of Man in S African exports row

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

THE Isle of Man Government was yesterday trying to limit the damage done by a report that it had discussed with South Africa's Industrial Development Corporation (IDC) how to use the island's freeport as a sanctions-busting back door to European markets.

The report, in The Independent, said discussions had taken place between the IDC and Dr Edgar Mann, then head of the island's government, and Mr John Webster, the island's chief economist.

The idea was to "launder" South African goods by using a Swiss-registered company to ship them to the freeport, and then re-export them as Isle of Man produce.

Mr Miles Walker, who succeeded Dr Mann as chief minister in last November's House of Keys elections said: "In 1985 a meeting took place because they asked to see us. We answered their questions and never heard from them again. Had they come back to us with the proposals reported by The Independent, they would have been totally unacceptable."

In any event, Britain would have had a say.

Tynwald, the island's parliament, is officially opposed to apartheid. Although it is not publicised, all marketing and industrial development staff are under instructions never to initiate commercial contacts with South Africa.

TECHNOLOGY

IN THE late 1970s, one of IBM's oldest and best known products, the office typewriter, seemed to be nearing the end of the road. The world market was entering secular decline, low-cost competitors were springing up all over the Far East, and the golf-ball head in IBM's venerable Selectric models was losing ground to newer technologies such as the daisy wheel printer.

IBM could have quit the business, moved production offshore or bought machines from other suppliers and sold them under its own name. Instead, after 18 months of intensive internal debate, it decided on a bold plan to get back in the race by renewing its product range and production techniques from the ground up.

The fruits are strikingly embodied in a sprawling 4m sq ft plant in Lexington, Kentucky. In the past few years, IBM has spent $350m there to replace highly labour-intensive assembly lines with one of the most extensive automated production complexes anywhere in the US.

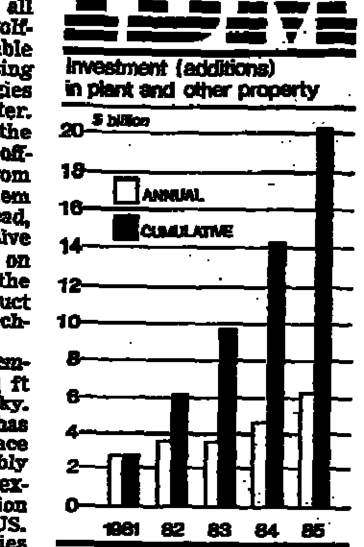
The plant, housing batteries of robots and 5½ miles of conveyor belt, is the showpiece of a massive drive by IBM to become the industry's low-cost quality producer, able to hold its own against the best the Japanese have to offer. In pursuit of that goal, IBM has spent $20bn on capital investment worldwide in the past five years, much of it on automated factories.

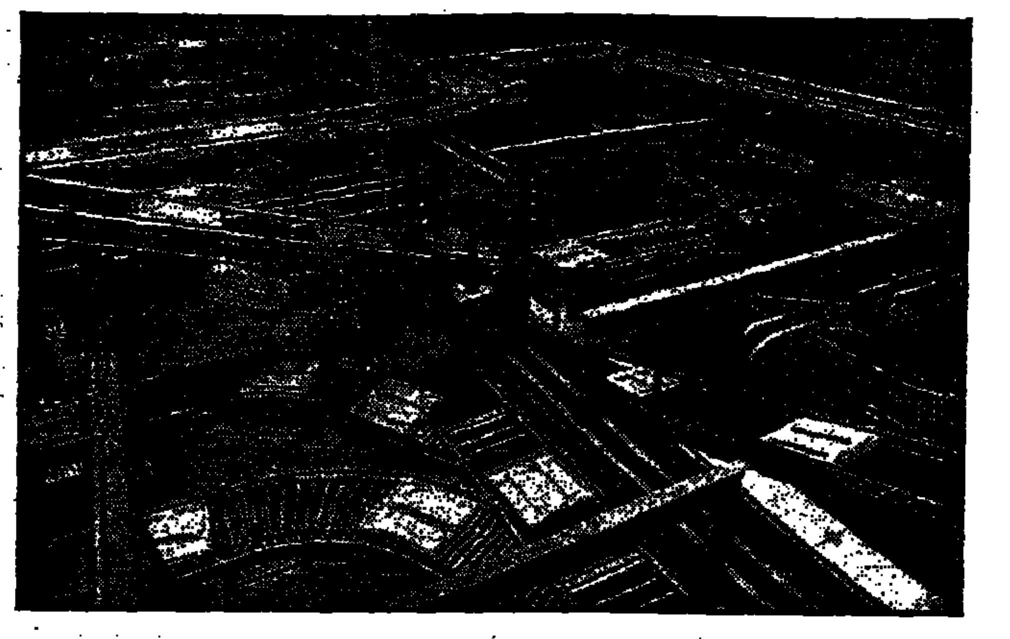
But whether the sweeping transformation of the factory floor at Lexington was necessary—or commercially wise—is less clear. Not only has the sheer scale of IBM's investment proven a two-edged sword, but its experience suggests that the key to improved manufacturing efficiency lies as much in a clear-sighted approach to product development as in automating the production process.

Many of the results at Lexington are certainly impressive. The time needed to make a typewriter has been cut to just over an hour from the four hours taken by manual assembly. Maximum output has been doubled to about 1.4m units a year yet the line requires only 2,000 workers, down from 6,000 under the old system. Labour and overheads have been reduced to 28 per cent of production costs from 52 per cent in 1982.

As a consequence, IBM has been able to cut the US list price for its most sophisticated electronic typewriter to $1,800, compared with $2,800 for the top model in the old Selectric range. Quality and reliability are also said to have improved substantially. In 1985, the first full year after the launch of its current models, it says typewriter sales broke all records.

Inside IBM





The hungry beast of Kentucky. Moulded parts for IBM products are transported in bar coded pallets via an overhead conveyor system at the company's Lexington plant

Why Big Blue staked $350m on a 44-furlong sprint at Lexington

Guy de Jonquieres examines the company's bold move to get back into the typewriter race

As well as being IBM's main US production centre for typewriters, computer keyboards and office supplies such as ribbons, the plant makes low-end personal computer printers. Until a few years ago, IBM did not bother to compete in this market but has entered it successfully by taking advantage of the economies of scale and more flexible product mix made possible by the Lexington facility.

The production line, which was entirely designed by IBM, is highly versatile. The computers which control it can be reprogrammed within seconds to make any product with dimensions of up to 20 by 22 by 18 inches, weighing less than 75 lbs and requiring vertical assembly.

However, the Lexington plant is a hungry beast. Conceived when the company's biggest problem was meeting buoyant demand for its products, it needs to be fed large volumes of throughput to cover its high fixed costs: its breakeven point is almost 1m units a year.

IBM will not give current production levels, but executives acknowledge that keeping it adequately loaded has been something of a struggle since the US computer market began to weaken. To keep it busy, the company has had to search for production which could be transferred from other plants.

Mr Frank Metz, IBM's chief financial officer, says the plant made money last year, thanks to a cost-cutting drive since 1985 which has lowered its original breakeven point by 25 to 30 per cent. "Still, 30 per cent less than a very large number is still a very large number," says Mr Metz, who declines to forecast whether Lexington will be profitable this year.

Some independent experts argue that IBM also computerised more operations than was really necessary. "There's an awful lot of overkill. They may be the low-cost producer, but they've done a lot of things that aren't really useful in reducing manufacturing costs," says one automation consultant who has toured the plant.

IBM rejects such suggestions. But Mr Heinz Fridrich, its vice president of manufacturing, agrees that large-scale automation is not always necessary for increased manufacturing efficiency. He says that if he had to start again, he would proceed on a more cautious step-by-step basis. Gradually installing "islands" of automation, though possibly more expensive in the long run, would have allowed more flexibility to adjust to fluctuations in volumes, he says.

Nonetheless, IBM believes that the underlying philosophy which it brought to the project was right. From the outset, it took the view that the way a product is designed is at least as important as the methods used to assemble it. To design its latest typewriters it brought together its development and production engineers with instructions to make easy "manufacturability" a top priority.

Each of the latest machines contains only 900 parts, one third the number of the old Selectric. A far higher proportion is also standardised. The new typewriters have only 11 parts not used in other products, enabling IBM also to use the same basic design for its low-end printers.

Simpler design has greatly speeded up assembly. The keyboard of the latest typewriters requires no screws (the old Selectric needed 65) but clips together. This has helped reduce adjustments in the final assembly stage from 121 to six. Customers can also add special functions to their typewriters simply by plugging microchip modules into them.

Another result of IBM's emphasis on "design for manufacturing" is to avoid the need for highly complex automation. Though some of the equipment at Lexington uses highly sophisticated technology, such as optical recognition devices to check on assembly, the individual operations performed are fairly straightforward.

By using so many interchangeable components, the company has also been able drastically to reduce its inventory levels. For example, it used to hold up to 90 days' worth of components required to make printer platens. Now, it needs to carry only eight hours' worth.

Overall, the Lexington plant holds five to seven days' worth of inventory. The company would like eventually to reduce that to 16 hours or even less. "We like to talk about real-time deliveries, rather than just-in-time," says Mr Dave Ellmann, senior automation consultant at the plant. But IBM's rate of progress will depend as much on its suppliers as on its own efforts.

IBM has already invested a lot of time and money to rationalise its sub-contracting arrangements worldwide. At Lexington, the number of outside suppliers has been thinned from about 700 for the old Selectric range to just over 100. The goal is to get down to as few as 60.

Its two main criteria are geographical proximity—it favours suppliers within a 300-mile radius of Lexington—and quality. Major suppliers must be prepared to undertake their own quality control, following procedures laid down by IBM.

In return the company is prepared to award them contracts of six months or more, instead of ordering parts by the batch as previously. At IBM's request, several suppliers have begun bar-coding parts, so that they can be "read" by machines at the Lexington plant.

Its policy has paid dividends. More than 95 per cent of the electronic cards used in its typewriters and printers are now satisfactory, compared with 70 to 75 per cent previously, and 10 of its sub-contractors have achieved "zero-defect" status. The new typewriters are designed to need repairs no more than once every four years, against more than once a year for the old range.

Many of the concepts and methods pioneered at Lexington have been adapted for use in other IBM plants, including its printed circuit board factory at Austin, Texas, and its European personal computer centre at Greenock, Scotland.

However, with its capital spending budget under pressure, the company's near-term priority will be to continue to squeeze better returns out of the automation it already has, rather than to embark on massive new investments. Mr Metz says of Lexington: "I think that that investment will prove out in time. We're glad to have it. There's a lot we can do with it. But it's not going to be easy—hasn't been and won't be."

The next article in this series will appear on the Management Page next week

Carton maker gets new box of tricks

WADDINGTON CARTONS of Leeds, UK, has speeded up the design and estimating processes involved in making folding cartons. It is using a computer-aided design system from Misomex UK of Stockport.

This is believed to be the first UK-developed system of its type to be sold and it works in unison with a carton sample cutting machine from Kongsberg, a Norwegian automation company. The IPDS (interactive packaging design system) allows users to design the most complicated cartons using colour graphics, and to detail cutting, creasing and perforation on a high definition colour monitor via an IBM personal computer.

WORTH WATCHING

Edited by Geoffrey Charlish

Direct line to a N. Sea crash zone

RADIO LOCATOR beacons which can help find crashed aircraft at sea have been developed by British Caledonian Helicopter and will be marketed in Europe, Asia, Africa and Australasia by Burndept Electronics.

The two UK companies have co-operated in response to a Civil Aviation Authority requirement that North Sea platform support helicopters must carry beacons.

Fitted externally to a helicopter, the CPT600 beacon is enclosed in an ejector mechanism. If the aircraft is in trouble, the device can be triggered automatically by sensors on the airframe or manually by the pilot. When ejected it quickly travels away from the helicopter to clear the rotor blades. It is automatically activated on contact with water.

Military thinking on Civvy Street

A VERY fast digital signal processor (a specialised computer) designed originally for military use is to be made available commercially by Microsystems Services under an agreement with the machine's developer, Marconi Radar Systems. Both are UK companies.

Originally designed for radar processing, the XN-10 unit is likely to have applications in areas where very rapid results are needed, as in image and speech processing in "real time" and in telecommunications. In its basic form, XN-10 can carry out 10m decimal calculations a second. Several of these machines can be connected together if higher speeds are needed.

CD-ROM: Toning down the euphoria

A NEW report from Market Intelligence Research Company (MIRC) of Palo Alto, California, says that although compact disc read-only memory (CD-ROM) will ultimately prove important (there are already 105 companies licensed world-wide by Philips/Sony, the originators of CD-ROM), early predictions of sales have to be conservative. CD-ROM is the system by which information can be carried on, and read from, a compact disc.

MIRC points out that predictions since 1984 have so far been unduly optimistic. There have been difficulties in identifying solid initial markets or when such markets are likely to become firmly established. Other barriers have included confusion of CD-ROM with other optical media, satisfaction with existing publishing technologies and concern over copyright protection.

The research company believes the cumulative total of sales by 1992 will be about $1.2bn.

CONTACTS: Marconi Radar Systems: UK, 0245 353221. MIRC: US, (415) 856 8200. Misomex: UK, 061 477 3419. Burndept Electronics: London, 317 1717.

Company Notices

TRANSVAAL GOLD MINING COMPANIES
ADMINISTERED BY
ANGLO AMERICAN CORPORATION
FINAL DIVIDENDS—FINANCIAL YEARS ENDED DECEMBER 31 1986

[illegible]

Name of company (each of which is incorporated in the Republic of South Africa)	Dividend No.	Rate of dividend per share
Transvaal Gold Mining Company Limited (Registration No. 74/01477/06)	9	75 cents
The South African Land & Exploration Company Limited (Registration No. 01/01879/06)	91	47.5 cents
[illegible] (Registration No. 05/17354/06)	61	1200 cents
Western Deep Levels Limited (Registration No. 57/02348/06)	50	335 cents

By order of the boards
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per R. S. EDMONDS
Divisional Secretary

[illegible]

Johannesburg
January 23, 1987

PECHINEY UGINE KUHLMANN INTERNATIONAL N.V.
Loan of EUA 20 000 000
8½% 1974/1989

[illegible]

CREDIT LYONNAIS, LUXEMBOURG
The Fiscal Agent

Public Notices

SCOTTISH AGRICULTURAL INDUSTRIES PUBLIC LIMITED COMPANY

[illegible]

Donald M. Ross (PD
DUNDAS & WILSON, CS
Solicitors for the Petitioners
25 Charlotte Square
Edinburgh

Legal Notices

IN THE MATTER OF
ECKINGTON FARMS LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1985

[illegible]

BRIAN MILLS
Liquidator

DEPARTMENT OF TRADE AND INDUSTRY
INSURANCE COMPANIES ACT 1982
NOTICE OF APPROVAL OF TRANSFER OF BUSINESS

[illegible]

DEPARTMENT OF TRADE AND INDUSTRY.
January 1987

THE PROPERTY MARKET By PAUL CHEESERIGHT

CITY OF LONDON FRINGE

Specialist businesses clamour for space

THE DAYS of cheap accommodation on the fringes of the City of London are disappearing fast. The more expensive the central area of the City becomes and the more vigorous the financial activity of the City becomes, the greater the interest in the areas immediately adjacent.

The smaller companies—the specialists, the consultancies—which feed off the activity in the City are starting to flock into the areas surrounding he Smithfield meat market to the west, the Spitalfields vegetable market area to the east and the more obviously industrial St Lukes area of Hackney to the north.

These areas have in common a host of small properties. They are not of much interest to the financial institution wanting 40,000 square fee or more.

In the postal district in which Smithfield is situated, there were 23 lettings last October, none of which individually accounted for more than 10,000 square feet, according to the Richard Saunders floorspace survey.

In another survey, soon to be published, Dron and Wright has calculated that 1.6m square feet of office space, either on the market, being built or with planning permission, is available. But over half of this space is accounted for by two new buildings outside the immediate environs of Smithfield.

Similarly, in the postal district for Spitalfields, the greater part of the new space under development is taken up by large schemes. Still, Mr Barry Cox of Dron and Wright has noted that a lot of properties are changing hands around the market itself. And, like Smithfield, it is providing a home for small companies wanting to be owner-occupiers. But, he added, many property owners in the area "are tending to sit tight, being courted by development companies and speculators."

In the Finsbury Square area, just north of the City border, rents are up to £30 a square foot and shave away to £11-12 further out. In both the Smithfield and the Spitalfields areas rentals of £12 upwards are being obtained, against up to £50 a square foot in the prime inner City locations.

As the pressure for change increases, always assuming that the position of London as a financial centre is maintained, the prices of property and the level of rents demanded will inevitably go up as well.

A significant factor here will be the change in the Use Classes Order soon to be announced by the Government. This will break down the rigid classification of land use between, say, office and industrial property, by permitting more mixed use. In the context of the City fringes this should mean that more buildings will become available for office use.

"A quarter to 30 per cent of the buildings will increase in value overnight," commented Mr Alfred Buller of Smithfield Developments. This will feed through into pressure from owners for higher rent increases at times of review.

But, while the Hackney area seems set to remain as an overspill area for City offices, there is an additional attraction in the Smithfield and Spitalfields districts. This is the hope among investors that there might be a wholesale transformation of the markets.

If there is to be change, it is likely to happen more quickly at Spitalfields than at Smithfield. Although outside the City boundaries in the borough of Tower Hamlets, Spitalfields is owned by the City Corporation.

City officials are presently drawing up their terms and conditions for the sale of the market's freehold and these should be ready within the next few weeks. But the City Corporation has made it clear that any developer wishing to buy the freehold should have planning permission for a scheme from Tower Hamlets. To move the existing market would require, in any case, the passage of a bill through Parliament.

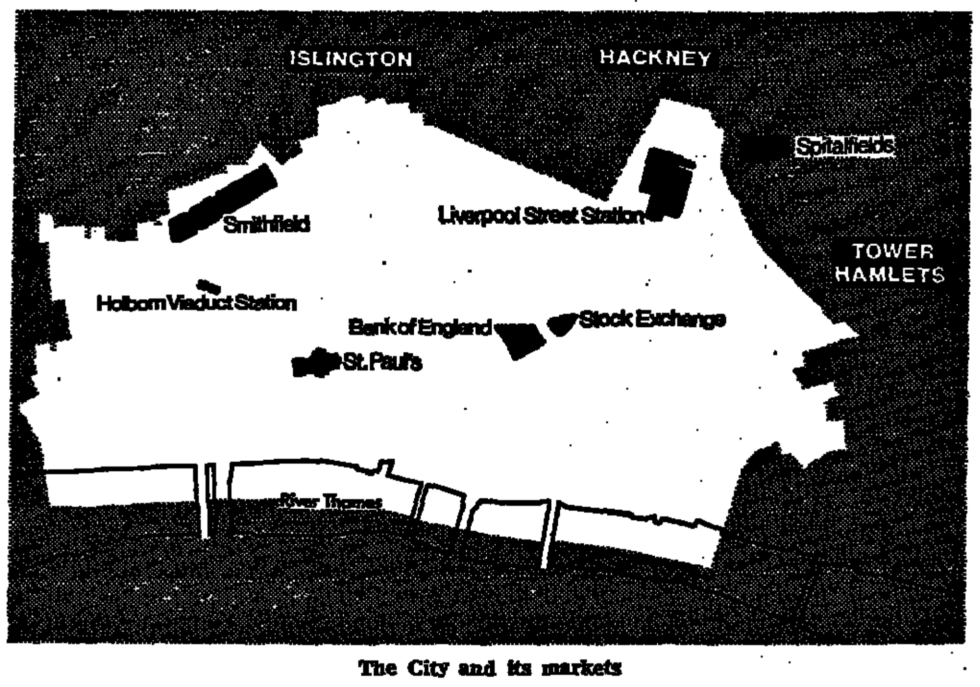
Two developers, London and Edinburgh Trust and the Rosehaugh Stanhope joint venture, have shown their hands with the presentation of different schemes, but given the obstacles, it is difficult to imagine any work starting on the market site for at least two years. When the work does start, however, it will have to meet the Tower Hamlets planning brief of a 55-45 per cent offices-housing mix.

In other words, the main focus of major office development in the area around Spitalfields will remain the Rosehaugh Stanhope venture, Broadgate, at Liverpool Street Station.

By contrast, it is not all clear that Smithfield will be subject to such radical change. Although the role of the market as a national distribution centre has been declining, current discussions among City planners are based on the assumption that the market itself will remain, although the facilities themselves will be refurbished.

The Smithfield area has its own local plan, distinct from that of the rest of the City of London. It is not an area that the planning authorities see as a location for large-scale office development. Rather it is seen as a location for small companies supporting and servicing the basic financial role of the City.

Smithfield's local plan, however, was published in 1981 — in quieter times. Officials are looking at it to establish whether or how it should be updated.



The City and its markets

Price pressure on new developer

Smithfield Developments claims to be the market leader in the Smithfield, Spitalfields and south Hackney areas. It is a small company, dealing in small properties, for small buyers.

The areas are not suited for the big people, said Mr Alfred Buller, the 29 years old managing director. "You cannot get together 200,000 sq ft. There is fragmented ownership, listed buildings. But it is a location for service companies."

His company was set up just under two years ago. It has £2m of capital and a £3m bank facility, by the far the greater part of which will be absorbed by the refurbishment of 12 properties Smithfield Developments has bought.

In its first year the company bought up 10 properties, which are in the books at cost —£1.07m. By today's standards that is cheap at an average £100,000 a property. "You couldn't go out and buy anything for £100,000 now. It might be £250,000-£300,000," said Mr Buller.

The market is catching up and here is the problem for Smithfield Developments. The area was empty of institutional interest, but now that is starting. An insurance company wants to buy a development the company has ready in Cowcross Street, Smithfield. Onice the bandwagon rolls, the yields go down from 7.5 or 8 to 6 per cent, in Mr Buller's estimate.

Then there is a difficulty for potential buyers. Smithfield Developments had identified a demand from owner-occupiers—small companies in advertising, public relations, research, design and so on. With institutions coming in, "that is a window which is closing," Mr Buller noted.

He thinks Smithfield Developments has up to three good years ahead of it in these areas. "Then I need another area where I can get ahead of the market."

The first two sales from the portfolio should take place in the current financial year, leading to an immediate increase in profits. Others will follow. Because Smithfield Developments is a Business Expansion Scheme company, it has to sell on its developments rather than hold them for rental revenue. "The quicker we turn over the stock the better," said Mr Buller.

This will be the start of the company's profits stream. In its first financial year, to March 1986, it had an operating loss of £26,332, but a pretax profit of £174,747, largely gained from interest on money on deposit.

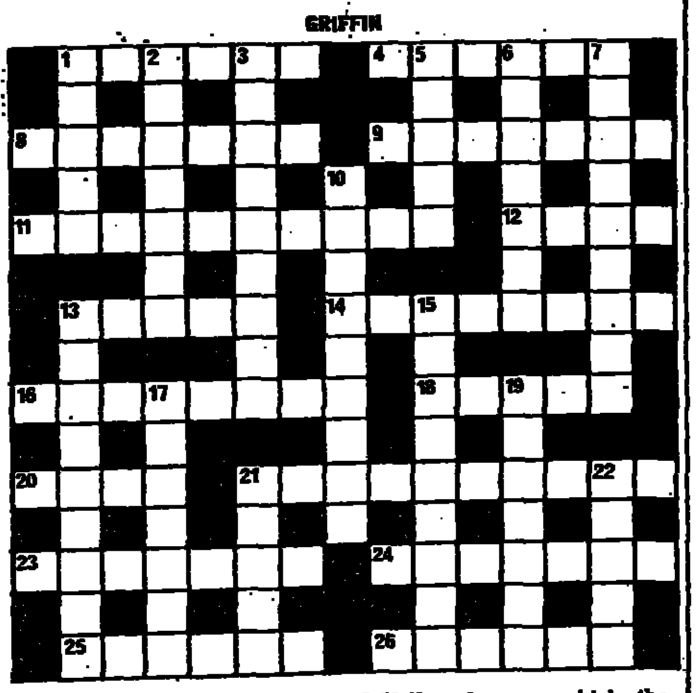
AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

FT CROSSWORD PUZZLE NO 6,234

GRIFFIN



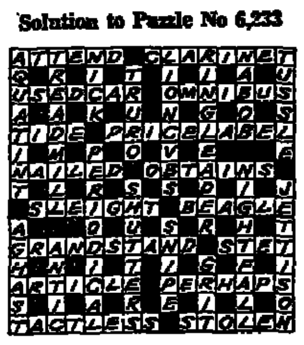
ACROSS

1 Stand for the photographer (6)
4 Talk to escort quietly in church (6)
8 Crack man captured by the Indians (7)
9 Pop any odd number in for a splendid array (7)
11 Mum takes sick Helga round to club (10)
12 Iris is missing at the time of going to press (4)
13 Younger brother of French guy is outside (5)
14 Taking motorway in Kate's poor condition is wrong (8)
16 — but Alan could be taking the motorway or walking (8)
18 The middle one only ordered yarn (5)
20 Exactly right about leading solicitor being tense (4)
21 Still calling Ray silly (10)
23 "Tablet for terrible pain" is about right (7)
24 Free to relax after a half barrel (7)
25 Do send for replacement when saturated (6)
26 Mean to go into some beastly place in Gateshead (6)

DOWN

1 Nonsense! Lift half each—it's light (5)
2 Ivan's arranged cover for sick person (7)
3 Yellow box on which the artist's stuck a band (9)
5 Kind of chap who takes a sweetheart fruit (5)
6 Bill, I ripped up those naughty books (7)
7 Tiny's in guild headquarters on October 31 (9)
10 Spotted man's best friend (9)
13 Happens to hold permit for people requiring directions (9)
15 Opinion of nurse I'm in a marquee with (9)
17 Not having been tested, turned out about one (7)
19 A light case (7)
21 Show approval of one writing back to the Parisian (5)
22 Brown, the Yorkshire opener, is out of practice (5)

Solution to Puzzle No 6,233



AUTHORISED UNIT TRUST & INSURANCES

Cannon Assurance Ltd
1 Olympic Way, Wembley HA9 0NB 01-902 8876

2nd Series Life Accumulation

Equity	347.3	367.5	-4.0	—
High Income	298.5	315.9	-2.7	—
Property	216.6	229.2		—
Managed	254.3	269.1	-0.6	—
Deposit	176.4	186.7		—
Gilt	180.1	190.6	+0.8	—
American	254.8	269.6	+0.6	—
International Money	198.8	210.4	+0.1	—
Index	109.2	115.6		—
Far East	209.5	221.7	+2.0	—
Global	104.2	110.3	+0.1	—
European	109.5	115.9	+0.2	—
Japan	114.2	120.8	+0.3	—
Residential Property	96.7	102.3		—

2nd Series Pension Accumulation

Equity	552.0	584.1	-7.1	—
High Income	354.5	375.1	-3.6	—
Property	304.1	321.8		—
Managed	367.3	388.7	-1.0	—
Deposit	261.9	277.1		—
Gilt	254.6	269.4	+0.9	—
American	399.8	423.1	+1.3	—
International Money	284.9	301.5	-0.9	—
Index	120.0	127.0		—
Far East	231.5	245.0	+2.4	—
Global	106.8	113.0	+0.2	—
European	113.5	120.1	+0.2	—
Japan	119.5	126.5	+0.5	—
Residential Property	97.4	103.1		—

Other Funds

Equity Units		74.25	-0.98	—
Property Units		22.87		—
Equity Bond/Exec	46.13	48.81	-0.56	—
Property Bond/Exec	30.90	32.70		—
Balanced Bond/Exec	35.77	37.85	-0.09	—
L&E SIF 1	118.5	125.0	-0.5	—
L&E SIF 2	77.0	81.3		—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	115.0	122.0	—	—
Risk & Reward Bond	145.0	151.0	—	—
Murray Johnstone Fd	133.0	140.0	—	—
Money Market Fd	110.0	116.0	—	—
Investment Strategy Fd	98.0	104.0	—	—
Predator Fd	95.0	100.0	—	—
Ivory & Sime Pens Fd	119.0	125.0	—	—
Risk & Reward Pens Fd	125.0	132.0	—	—
Murray J'stone Pens Fd	128.0	136.0	—	—
Money Market Pens Fd	110.0	116.0	—	—
Inv Strategy Pens Fd	99.0	105.0	—	—
Predator Pen Fd	95.0	100.0	—	—

City of Westminster Assurance

Devonshire Life—Contd.

Money	100.4	105.6		—
Pen Managed	129.0	135.9	-0.2	—
Pen World Growth	101.4	106.9	-0.3	—
Pen UK Equity	139.5	146.6	-0.4	—
Pen UK Small Cos	128.7	135.6	-0.4	—
Pen European	104.5	110.1	-0.1	—
Pen Far Eastern	211.8	223.0	-0.2	—
Pen Nth American	93.3	98.3	-0.7	—
Pen Fixed Interest	110.5	116.5	+0.1	—
Pen Index Lnkd Stks	100.9	106.4	+0.2	—
Pen Money	105.0	110.4	+0.1	—

Eagle Star Insurance Co Ltd
Bath Road, Cheltenham GL53 7LQ 0242 521311

Secure Fund	104.2	109.7	—	—
Blue Chip Fund	130.5	137.4	+0.2	—
Performance Fund	156.8	165.1	-0.2	—
Adventurous Fund	152.6	160.7	—	—
Pensions Secure	95.4	100.5	—	—
Pensions Blue Chip	99.8	105.1	+0.2	—
Pensions Performance	100.4	105.7	-0.1	—
Pensions Adventurous	101.0	106.4	—	—
Pensions With Profits	98.4	103.6	+0.4	—

Eagle Star Insur/Midland Assur.
1 Threadneedle St, London EC2 01-588 1212

Eagle/Mid. Units	170.6	176.8	+0.4	4.24

Equitable Life Assurance Society
4 Coleman Street, London EC2R 5AP 01-606 6611

Far Eastern	177.7	187.1	-0.3	—
Fd of Inv Tsts	147.6	155.4	-0.4	—
Gilt & Fixed Int	116.5	122.6	+0.3	—
High Income	163.1	171.7	-0.1	—
Int'l Growth	110.8	116.6	-0.4	—
Managed	134.3	141.4	-0.2	—
Money	109.1	114.8	+0.1	—
North American	122.8	128.4	-1.2	—
Pelican	151.2	159.2	+0.2	—
Property	107.4	113.0	—	—
Special Sits	156.0	164.2	+0.3	—
School Fee Managed	147.2	154.9	-0.2	—

Pension Funds

Far Eastern	203.3	214.0	-0.6	—
Fd. of Inv. Tsts	162.6	171.2	-0.8	—
Gilt & Fixed Int	121.0	127.4	+0.4	—
High Income	186.2	196.0	—	—
International Growth	114.3	120.3	-0.6	—
Managed	147.2	154.9	-0.2	—
Money	118.7	124.9	+0.1	—
North American	127.2	133.9	-1.6	—
Pelican	168.2	177.0	+0.4	—
Property	107.4	113.1	—	—
Special Sit.	174.2	183.4	+0.4	—

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV $20.54 | ... | —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd $18.26 | −0.04 | —

Yamaichi Capital Mngt (Guernsey) Ltd
22 Smith St, St Peter Port, Guernsey. 0481 23765
Japan Meta Growth $10.77 | −0.03 | —

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech $18.75 | +0.3 | —
Dynamic Gwth Fd $20.90 | −0.23 | —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund $12.47 13.17 | ... | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd — Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6462				
CAFCASH Call Fund	10.63	7.96	11.42	3-mth
CAFCASH 7-day Fund	10.60	7.95	11.40	3-mth
The Charities Deposit Fund — 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	10.70	11.14CAR		3-Mth
The Money Market Trust — 63 Qu Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	10.79	8.06	11.78	6mth
7-day Fnd	10.60	7.95	11.57	6mth
Oppenheimer Money Management Ltd — 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	10.71	8.03	11.53	6-Mth
7-Day Fund	10.47	7.85	11.24	6-Mth
Dollar	4.87	3.64	5.21	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc — 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chq Acc	10.25	7.38	10.86	Qr
Aitken Hume — 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	10.25	7.44	11.10	Qr
HldIntChq £1000-£5000	10.00	7.48	10.98	Mth
Hgh. Int. Chq. £5,000+	10.25	7.44	11.18	Mth
Allied Arab Bank Ltd — 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	11.00	8.25	12.05	Mth
Bank of Scotland				
... — 24-35 Princess Victoria St, Bristol 0272 732241				
Demand Acc	10.40	7.42	11.56	Qr
Money Acc	10.55	7.87	11.42	Qr
J. Henry Schroder Wagg & Co Ltd — Enterprise House, Portsmouth 0705 827733				
Special Acc	10.00	7.48	10.90	Mth
Over £10,000	10.25	7.44	11.17	Mth
Western Trust & Savings Limited — The Moneycentre, Plymouth PL1 5E 0752 224141				
High Int Chq Acc	11.00	8.22	11.94	Qr
Wimbledon & South West Finance Co Ltd — 114 Newgate St, London EC1A 7AE. 01-606 9485				
High Int Cheque Acc	11.25	8.43	12.23	Qr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect	15
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	8
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons	24	Turner Newall	18
Comm Union	28	Unilever	110
Courtaulds	26	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	16
Glaxo	85	Land Securities	38
Grand Met	40	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	BOM	3½
Hanson Tst.	18	Brit Petroleum	50
Hawker Sidd	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	3½
Ladbroke	32	Shell	65
Legal & Gen	20	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds	46	Cons Gold	62
Marks & Spencer	18	Lonrho	22
Midland Bk	48	Rio T Zinc	62
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Soviet Union agrees to back Opec export cuts

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET Union has agreed to cut back its oil exports by 7 per cent in order to support the price charged by Opec, Mr Hisham Nazer, the Saudi Arabian Oil Minister, said yesterday at the end of a visit to Moscow.

This means an estimated reduction in Soviet exports of between 100,000 and 150,000 barrels a day of crude although the Soviet Union does not publish its oil exports figures.

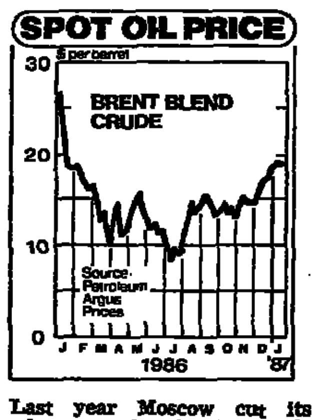
"We are an oil exporter and we are interested in stabilising prices," Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, said yesterday. He added that the Soviet Union had already cut its exports but "as a result of our talks with the Saudi Minister, we are cutting back our oil exports a little further."

He refused to give the size of the reduction in Soviet exports but the 7 per cent cut is likely to apply only to exports to the West and not to almost 2m barrels a day sold to Soviet Block countries.

The Soviet Union is the world's largest oil producer, with production last year totalling 11.9m barrels a day of oil and gas condensate. Its foreign trade is largely dependent on the sale of crude, which has provided up to 60 per cent of hard currency earnings in the past.

Mr Nazer, who is visiting non-Opec oil producers to seek support for a price of $18 a barrel agreed by Opec last month, held meetings this week with senior Soviet officials including Mr Nikolai Ryzhkov, the Prime Minister.

In one of the first public announcements of Soviet support for Opec Mr Ryzhkov said: "The Soviet Union approves of Opec's constructive efforts and takes them into consideration."



Last year Moscow cut its crude exports by 100,000 barrels a day for two months in a show of support for Opec's efforts to force up the oil price by restricting oil exports. Mr Gerasimov appeared yesterday to refer to a more recent limitation in Soviet oil exports which had not been announced.

Soviet foreign trade with the west has been badly hit by the fall in the price of oil and other raw materials which make up 80 to 85 per cent of hard currency earnings. In addition the fall in the value of the dollar has hit Soviet terms of trade badly, since most of its earnings are denominated in dollars while its imports are mainly from western Europe.

The drop of 8 per cent in the turnover of Soviet foreign trade last year was attributed almost entirely to the fall in oil prices. The setback is all the more serious since Mr Mikhail Gorbachev, the Soviet leader, wants to raise the technical level of Soviet industry by refurbishing existing plant which in turn implies increased imports of machinery and equipment.

Mr Nazer's visit is also one of the most sustained contacts between a senior Saudi Arabian figure and the Soviet leadership. The two countries do not have diplomatic relations but Mr Gerasimov said Mr Nazer was told that the Soviet Union was willing to develop better relations if Saudi Arabia wished to do so.

● The news of the proposed export cuts by the Soviet Union caused a firming of crude prices on the European spot market. Brent for prompt delivery rose 7.5 cents to $18.45 while on the New York Mercantile Exchange West Texas Intermediate blend for March delivery was up 14 cents by mid-afternoon to $18.84, writes Max Wilkinson.

The move was seen more as a gesture than as an important contribution to the supply and demand balance in the oil market.

Brazilian coffee sales quicken

By Ann Charters in Sao Paulo

BRAZIL'S COFFEE export registrations jumped to 769,462 bags (60 kgs each) on Wednesday, bringing total registrations for first quarter exports up to 1.69m bags—1.64m bags of green coffee and the rest soluble.

The sudden flurry of activity was attributed to increased sales of arabica as well as the coarse conillon, Brazil's Robusta.

Registrations of the latter picked up with the opening of March export registrations on Wednesday, since traders expect the Government to close first quarter conillon exports as soon as they reach 100,000 bags a month.

To support the domestic market, the Government, after much delay, released funds for the Brazilian Coffee Institute at Cr 2,650 each ($166). The actual price to sellers after all charges is close to Cr 2,000, which does not encourage producers and exporters to sell stocks to the IBC but does mean an option to exporting. An estimated 65,000 to 100,000 bags have been delivered to IBC warehouses and are awaiting payments which have been taking 30 to 60 days.

A Santos-based coffee exporter said that the effect of the IBC's purchase of coffee is to provide "a floor to the domestic market."

Not many more than 200,000 to 400,000 bags are expected to be sold to the IBC in the short term because the international market is more attractive.

The exporter said he expected sales of Brazil's arabica coffee to return to a normal 1m bags a month from February onwards as old roaster customers were starting to buy competitively-priced Brazilian beans once again.

● Senior officials of the Inter-African Coffee Organisation (IACO) have urged reimposition of export quotas to halt the slide in world coffee prices, reports Reuter from Abidjan.

Mr Arega Worku, IACO's secretary general, and his deputy, Mr Mpungi Buyungu, told reporters the quota issue and Africa's share of the world coffee market would dominate an extraordinary meeting of the 25-member group here today and tomorrow.

"We must bring prices back into the (international coffee pact) target. This means reimposing quotas to control supplies," Mr Buyungu said.

LCE votes to admit 'locals'

BY ANDREW GOWERS

MEMBERS OF the London Commodity Exchange, which operates contracts in coffee, sugar and cocoa futures, have voted by a large majority to admit so-called "locals"—or individuals trading on their own account—in an effort to boost market liquidity.

Results of a postal ballot of member companies on the issue, announced yesterday, showed 77 per cent of the membership in favour of the plan to admit individual new members. The International Petroleum Exchange, which has an active gasoil futures contract and which is to share new premises with the LCE after Easter, has also agreed to admit locals.

The move has been strongly advocated by Mr Saxon Tate, the LCE chairman, as a way of helping to boost speculative activity and to overcome what is seen as its worst problem: thinness of trading volume on some markets. Locals are an established feature of the big US futures exchanges.

However, it was resisted by some companies, particularly in cocoa, which argued that their market was perfectly viable as a trade market and that it did not need locals.

The LCE and IPE are offering an initial 50 local memberships, at £10,000 each. Locals will be allowed to trade for their own account, for other locals and for floor members of the two exchanges but not for outside clients.

The LCE says it has already received a number of enquiries and hopes to sign members up quickly so that they can help get the two exchanges' planned traded options contracts off the ground. The hope is that existing floor traders on the two markets will be attracted, as well as would-be locals who may not be able to afford the higher entrance fees on the London International Financial Futures Exchange.

However, it is not clear how strongly the admission of locals will boost trading activity, since a lot of the business done on a number of the LCE and IPE markets already consists of member companies trading on their own account.

Tin producers agree export quotas

BY WONG SULONG IN KUALA LUMPUR

THE SEVEN nation Association of Tin Producing Countries (ATPC) has worked out individual quotas limiting members' total exports to 96,000 tonnes for a 12-month period.

A statement issued after a three-day meeting of the ATPC executive committee said the matter would be submitted to member governments "for final endorsement."

It did not specify the individual quotas, but conference delegates say Malaysia has been allotted 28,000 tonnes, Indonesia 24,000, Thailand 19,000, Bolivia 15,000, Australia 7,000 and Nigeria and Zaire about 1,500 tonnes each.

The two African countries did not attend the meeting but signalled support for the scheme which will run from March 1987 to February 1988.

The limitation of exports is expected to cut the current world's tin surplus of 71,000 tonnes by another 20,000 tonnes. This should improve prices, which have remained depressed since the International Tin Council ran out of money to support prices in November 1985.

Without the export quota, the ATPC members would be expected to export 110,000 tonnes during the stated period.

The statement said Brazil and China, two major non-ATPC producers, attended the meeting as observers, and had agreed to "co-operate to ensure the depletion of the overhanging stocks."

Delegates said the ATPC has requested Brazil and China to limit their exports to 21,000 tonnes and 7,000 tonnes respectively.

Southeast Asian mining companies say Brazilian and Chinese co-operation is essential for the success of the scheme. They point out that effectiveness of ITC-imposed export controls during 1982-85 was undermined by increased production from non-members.

The ATPC statement also called on the US to restrict releases from its strategic stockpile so as not to undermine the effort of the tin producers.

The ATPC would also urge banks and brokers, who are holding substantial metal stocks, not to sell their metal until prices are above 20 ringgit (£5.13) a kg.

On the Kuala Lumpur Tin Market yesterday, tin was traded at 17.22 ringgit a kilo, down 8 cents, on turnover which was 2 tonnes higher at 92 tonnes.

ITC 'cannot be wound up by court'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE ENGLISH courts have no power to order the compulsory winding-up of the International Tin Council, a High Court judge ruled yesterday.

In the first major court ruling arising out of the tin crisis, Mr Justice Millett struck out a petition for the winding-up of the ITC lodged by Amalgamated Metal Trading, a subsidiary of Preussag, the West German metals group, and a London Metal Exchange trader.

AMT, a creditor of the ITC for £5.3m, is to challenge the decision in the Court of Appeal. The case is almost certain then to go for a final ruling to the Law Lords.

The judge said that section 665 of the 1985 Companies Act conferred no jurisdiction on the court to wind-up the ITC. That, he said, would be sufficient to enable the ITC to win its plea to have the petition struck out; but, he went on, in any case paragraph 6(1)(c) of the 1972 International Tin Council (Immunities and Privileges) Order made the ITC immune from the court's winding-up jurisdiction.

The judge said that the failure of the ITC to meet its obligations had left a host of unsatisfied creditors whose debts totalled several hundred million pounds. No proposals for payment had been made.

The failure of an international organisation to meet its obligations was without precedent. The possibility had obviously not been foreseen when the treaties establishing the ITC, which has its headquarters in London, had been made.

"The responsible course now would be for the member states, by diplomatic means, to negotiate suitable arrangements to meet the shortfall," Mr Justice Millett suggested.

Failing that, he said, there was much to be said for the view that an unprecedented situation called for an unprecedented solution.

But, the judge said, under the British constitution it was for Parliament to decide whether the UK, as the host state, should intervene and, contrary to the terms of the treaties and without the consent of the other member states, claim the right to subject the affairs of an insolvent international organisation to its own domestic jurisdiction and wind it up.

All he decided was that, by the general words of existing legislation, Parliament had not already demonstrated any such intention.

He remarked that many international organisations had their headquarters in London and others had assets in the UK, so the question whether such an organisation could be compulsorily wound up by the English courts was of considerable importance.

The ITC's striking out application was supported by the Government, which argued that a winding-up order woud affect the Crown's treaty making powers.

AMT was backed by Kleinwort Benson, the merchant bank, which claims to be owed more than £7m by the ITC.

AMT and Kleinwort were ordered by the judge to pay the ITC's legal costs. But the order was suspended with a view to the costs being set off against the debts owed to AMT and Kleinwort.

The judge said that AMT argued that the ITC was an unregistered company within section 665 of the 1985 Act and liable to be wound up by the court. AMT also contended that in a winding-up creditors could enforce against the UK and the other member states their liability to contribute to the ITC's debts and liabilities.

The ITC based its striking out application on two grounds: that it was an international organisation established by treaty between independent sovereign states and therefore not subject to the winding-up jurisdiction of the court under the 1985 Act; alternatively, that by virtue of the 1972 Order, the ITC was immune from such jurisdiction.

The 1972 Order, which had to be construed in the light of the treaty, granted the ITC the legal capacities of a body corporate but the ITC was not incorporated nor was it a statutory body. It was neither an English nor a foreign company but the creation of treaty.

It was significant, the judge added, that Parliament had not granted the ITC the status but only the legal capacities of a body corporate and not said that it was, or was deemed to be, a company capable of being wound up.

The assumption of jurisdiction by the court would transgress the basic principle of law that transactions between independent states were governed by laws other than those which domestic courts administered.

It was, Mr Justice Millett said, inescapable that a winding-up order would be inconsistent with the treaty and would interfere with the continued activities of the ITC, its future presence in the UK and whatever arrangements the 22 member states might make to deal with the unforeseen situation that had arisen and to contribute to the shortfall.

Also, the exercise of a jurisdiction would constitute an interference by the court with the UK Government's ability to conduct relations with foreign states.

An international organisation like the ITC, the judge said, was merely the means by which a collective enterprise of the member states was carried on and through which their relations with each other were regulated.

Any attempt by one of the member states to assume responsibility for the administration and winding-up of the organisation would be inconsistent with the arrangements made by them as to the manner in which the enterprise was to be carried on and their relations with each other in that sphere regulated.

"No one member state, by executive, legislative or judicial action, can assume management of the enterprise and subject it to its own domestic law. For if one could, then all could, and the independence and international character of the organisation would be fragmented and destroyed."

To impute to Parliament an intention, by general words in legislative alone, to confer on the court a jurisdiction contrary to those principles and without precedent was unacceptable, the judge said.

LONDON MARKETS

IN REACTION to a brokers report by C. Czarnikow of London forecasting stronger prices this year values on the world sugar market moved up sharply yesterday. In the morning the London daily raws prices was fixed at $172 a tonne, up $10 from Wednesday, and on the London futures market prices moved further ahead with nearby positions ending the day about $9 higher. The coffee market was also very firm, reflecting news of improved demand for Brazilian supplies after a slow start to the 1987 selling campaign. The March futures position climbed to £1,645 a tonne at one point before closing £25 up on balance at £1,602.50 a tonne. Dealers attributed the afternoon fall to trade selling. On the London Metal Exchange a general price fall was led by cash zinc's £11 decline to £489.50 a tonne. Sentiment had been dented by Wednesday's failure to break back through the £500-a-tonne barrier, dealers said.

LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

Jan. 22	Jan. 21	M'th ago	Year ago
1594.5	1595.5	—	1844.6

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Jan. 21	Jan. 20	M'th ago	Year ago
Spot	116.01	115.05	—	132.56
Fut	116.14	115.38	—	132.07

(Base: December 31 1931=100)

MAIN PRICE CHANGES

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	758-9	—5	—
3 months	773-3.5	—4.5	756/772

Official closing (am): Cash 760-0.5 (762-3), three months 772.5-3 (777-8), settlement 760.5 (763). Final Kerb close: 773-3.5. Turnover: 7,950 tonnes.

COPPER

LEAD

NICKEL

ZINC

TIN

GOLD

SILVER

COFFEE

COCOA

POTATOES

SUGAR

FREIGHT FUTURES

SOYABEAN MEAL

MEAT

US MARKETS

DESPITE A weaker dollar, gold futures closed marginally lower as profit-taking continued to pressure the market, reports Drexel Burnham Lambert. Volume was light, with locals dominating activity. Silver futures strengthened on short-covering whilst copper, which was steady on good trade and commission house buying, sold off towards the close as locals took profits. Crude oil futures remained steady in light volume reflecting global oil prices whilst good demand strengthened heating oil futures. Continued commission house buying in sugar futures helped maintain a follow-through on Wednesday's strength as more stops were hit in the face of trade scale-up price-fix selling. Cocoa futures fell on commission house selling following earlier origin sales. Industry scale-down buying was noted. The grains and meats markets declined on profit-taking.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Jan	52.10	—	—	51.70
Feb	52.25	—	—	51.85
March	52.40	52.45	52.40	52.00
May	52.55	52.60	52.60	52.15
July	52.55	52.50	52.50	52.15
Sept	52.60	—	—	52.20
Jan	53.05	—	—	52.65

CHICAGO

OIL

GAS OIL FUTURES

HEAVY FUEL OIL

GRAINS

RUBBER

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar shows disappointment

THE DOLLAR fell sharply yesterday, following the failure of US and Japanese officials to agree measures to stop the dollar's decline. Tuesday night's meeting between Mr Kiichi Miyazawa, Japanese Finance Minister and Mr James Baker, US Treasury Secretary, went little further than to agree on greater willingness to act on matters concerning growth and trade imbalances.

This was clearly a disappointment to the market and Tuesday's scramble to cover short positions was quickly reversed. Consequently the dollar lost ground sharply and a cut in the West German discount rate later in the day appeared to have little effect since such a move had already been discounted.

The dollar suffered a further blow with the release of US fourth quarter GNP figures which showed a rise of just 1.7 per cent, compared with 2.8 per cent in the third quarter. Analysts had been expecting a rise of around 2.5 per cent in the fourth quarter.

The dollar closed at DM 1.8135 down from DM 1.8470 but better than the day's low of DM 1.8070. Against the yen it slipped to Y151.85 from Y153.90 and SFr 1.5225 from SFr 1.5505. Against the French franc it fell to FFr 6.0550 compared with FFr 6.1625. On Bank of England figures, the dollar's exchange rate index fell from 105.0 to 104.0.

STERLING—Trading range against the dollar in 1986-87 is 1.5555 to 1.3700. December average 1.4387. Exchange rate index 69.1 down from an opening of 69.3 and Wednesday's close of 69.2. The six months ago figure was 72.8.

Sterling was little affected by interest rate cuts in West Germany and several other European countries. Even higher oil prices failed to provide any inspiration and the pound remained forgotten as attention remained fixed on the dollar. The pound closed at $1.5325 up from $1.5170 but the dollar's weakness meant that sterling slipped to DM 2.7825 from DM 2.8025 and Y232.75 from Y233.50. Elsewhere it finished at SFr 2.3350 from SFr 2.3525 and FFr 9.28 compared with FFr 9.3475.

In Lagos the Nigerian naira fell by 3.9 per cent at the weekly auction with the US dollar improving to 3.6817 naira from 3.5369 the previous week. The effective trading rate which includes a 0.5 per cent levy imposed by the central bank is 3.7002 compared with 3.5547.

D-MARK—Trading range against the dollar in 1986-87 is 2.4710 to 1.8120. December average 1.9690. Exchange rate index 148.6 against 137.9 six months ago.

An expected cut in the West German discount rate appeared to have little effect on the strength of the D-Mark. The dollar was fixed lower at DM 1.8230 compared with DM 1.8506 previously.

JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.7 to 151.30. December average 162.19. Exchange rate index 211.3 against 217.1 six months ago.

The yen rose sharply against the dollar in Tokyo as traders showed their disappointment at the apparent lack of agreement on specific issues at the meeting of Japanese and US officials on Wednesday night. Speculators had previously covered short dollar positions to safeguard against the possibility of some package to halt the dollar's recent decline. This was not forthcoming and traders acted to run short dollar positions, anticipating a further decline. It closed at Y152.40 down from Y153.75 in New York and Y153.60 in Tokyo on Wednesday. Trading was tense, with the market awaiting announcements from the Bank of Japan and the Bundesbank. Both are expected to reduce interest rates. Yesterday the dollar touched a low of Y152.0 and some dealers suggested that there may have been limited support by the authorities.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu January 22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.7915	+0.79	+0.79	±1.5344
Danish Krone	7.85212	7.81594	−0.46	−0.46	±1.6404
German D-Mark	2.05853	2.06228	+0.18	+0.18	±1.0981
French Franc	6.90403	6.88559	−0.27	−0.27	±1.3674
Dutch Guilder	2.31943	2.32513	+0.25	+0.25	±1.5012
Irish Punt	0.768411	0.775153	+0.87	+0.87	±1.6684
Italian Lira	1483.58	1467.44	−1.09	−1.09	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Jan 22	Latest	Previous Close
£ Spot	1.5310-1.5320	1.5225-1.5235
1 month	0.56-0.53 pm	0.65-0.64 pm
3 months	1.79-1.74 pm	1.74-1.72 pm
12 months	6.35-6.25 pm	6.23-6.19 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Jan. 22	Previous
8.30 am	69.3	69.0
9.00 am	69.3	69.0
10.00 am	69.3	69.1
11.00 am	69.3	69.3
Noon	69.2	69.3
1.00 pm	69.2	69.3
2.00 pm	69.2	69.2
3.00 pm	69.1	69.2
4.00 pm	69.1	69.2

CURRENCY RATES

Jan. 22	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	N/A	0.759470
U.S. Dollar	5.5	1.2649	1.13250
Canadian $	8.20	*	1.53703
Austrian Sch.	4	N/A	14.5099
Belgian Franc	8½	"	42.7915
Danish Krone	7	"	7.81594
Deutsche Mark	3½	"	2.06228
Neth. Guilder	4½	"	2.32513
French Franc	9½	"	6.88559
Italian Lira	12	"	1467.44
Japanese Yen	3.0	"	172.649
Norway Krone	8	"	8.02319
Spanish Peseta	[illegible]	"	145.526
Swedish Krona	7½	"	7.39409
Swiss Franc	4	"	1.73102
Greek Drach.	20½	"	[illegible]
Irish Punt	—	"	0.775153

*C$/SDR rate for Jan. 21: 1.70202

CURRENCY MOVEMENTS

January 22	Bank of England Index	Morgan Guaranty Changes %
Sterling	69.1	−25.2
U.S. Dollar	104.0	−3.0
Canadian Dollar	76.9	−12.0
Austrian Schilling	139.7	+10.7
Belgian Franc	100.7	−3.7
Danish Krone	81.5	+4.5
Deutsche Mark	148.6	+22.8
Swiss Franc	172.6	+22.4
Guilder	136.1	+15.3
French Franc	72.2	−12.3
Lira	48.6	−16.0
Yen	211.3	+58.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

	£	$
Iran	110.60*	73.00*
Korea (Sth)	1301.30-1313.10	854.80-861.80
Kuwait	0.43160-0.43210	0.28120-0.28150
Luxembourg	57.65-57.75	37.60-37.70
Malaysia	3.9135-3.9240	2.5510-2.5540
N. Zealand	2.8515-2.8590	1.8575-1.8610
Saudi Ar.	5.7547-5.7600	3.7490-3.7500
Singapore	3.2690-3.2790	2.1320-2.1350
S. Af. (Cm)	3.1305-3.1365	2.0555-2.0595
S. Af. (Fn)	6.5505-6.8450	4.3010-4.4945
Taiwan	53.30-53.55	35.10-35.20
U.A.E.	5.6370-5.6425	3.6725-3.6735

* Selling rate.

POUND SPOT—FORWARD AGAINST THE POUND

Jan. 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5270-1.5375	1.5320-1.5330	0.66-0.63c pm	5.05	1.78-1.73 pm	4.58
Canada	2.0782-2.0857	2.0810-2.0820	0.58-0.50 c pm	3.14	1.60-1.45 pm	2.93
Netherlands	3.13-3.15	3.13-3.14	1½-1⅛ c pm	5.50	4⅝-4 pm	5.34
Belgium	57.65-58.13	57.65-57.75	13-8 c pm	2.18	40-32 pm	2.50
Denmark	10.54-10.63	10.53-10.54	⅝ par ore pm	0.36	1⅛-⅞ pm	0.28
Ireland	1.0475-1.0515	1.0480-1.0490	0.20-0.40 p dis	−3.43	0.55-1.10dis	−3.15
W. Germany	2.77½-2.79¼	2.77¼-2.78¼	1⅝-1⅜ pf pm	6.74	4½-4⅛ pm	6.38
Portugal	214¼-216	215.00-215.90	91-139c dis	−6.41	237-346 dis	−5.41
Spain	196.72-197.76	196.75-197.15	13-44 c dis	−1.74	51-96 dis	−1.49
Italy	1978-1992¼	1978-1979	2 par lire pm	0.61	2 par pm	0.20
Norway	10.78⅞-10.85⅞	10.78⅞-10.79⅞	3½-4½ ore dis	−4.79	13½-14½ dis	−5.21

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts finish weak

GILT PRICES moved erratically in the London International Financial Futures Exchange yesterday. Early trading saw values pushed firmer on expectations of interest rate cuts in West Germany but the trend was reversed in the afternoon partly because such a move had already been discounted and partly because the contract had been over bought but mainly because there was little indication that UK interest rates would follow suit. The downward trend set off a number of stop loss orders which accelerated the trend and the March gilt price finished close to the day's low.

In addition sterling finished on a slightly weaker note. The March gilt price opened at 116-13 up from 116-08 and reached a high of 116-18 before falling sharply to a low of 115-10. It finished at 115-12.

Three-month sterling deposits held up reasonably well however closing at 89.44 for March delivery up from 89.42 at the opening and 89.40 on Wednesday. Cash rates were a sixteenth of a point easier where changed.

US Treasury bonds opened on a weaker note with overnight selling by Japanese traders despite rumours of a cut in the Japanese discount rate. The weaker trend was reversed for a while, pushing the March price up to 101-15 from 101-00 at the opening before coming back to close at 100-26 down from 101-11 on Wednesday.

Overall trading volume in the Liffe market was extremely good with 56,016 lots traded on futures and 4,934 in options, making a record total of 60,950.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
106	9.26	9.33	0.00	0.15
108	7.27	8.03	0.01	0.29
110	5.31	6.25	0.05	0.51
112	3.45	4.59	0.19	1.21
114	2.13	3.41	0.51	2.03
116	1.08	2.39	1.46	3.01
118	0.50	1.50	3.04	4.12
120	0.11	1.11	4.49	5.37

Estimated volume total, Calls 3,091 Puts 3017
Previous day's open int. Calls 0 Puts 0

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
90	10.52	10.06	0.00	0.06
92	8.52	8.14	0.00	0.14
94	6.53	6.30	0.01	0.30
96	4.58	4.57	0.06	0.57
98	3.10	3.34	0.22	1.34
100	1.48	2.27	0.60	2.27
102	0.52	1.37	2.00	3.37
104	0.19	0.62	3.31	4.62

Estimated volume total, Calls 211 Puts 130
Previous day's open int. Calls 0 Puts 0

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Jan	Calls—Last Feb	Puts—Last Jan	Puts—Last Feb
16750	12.70	12.88	0.00	0.18
17000	10.20	10.57	0.00	0.37
17250	7.70	8.41	0.00	0.71
17500	5.20	6.45	0.00	1.25
17750	2.71	4.75	0.01	2.05
18000	0.65	3.35	0.45	3.15
18250	0.03	2.25	2.33	4.55
18500	0.00	1.44	4.80	6.24

Estimated volume total, Calls — Puts —
Previous day's open int. Calls — Puts —

SWISS FRANC (IMM)
SFr125,000 $ per SFr

	Latest	High	Low	Prev.
Mar.	0.6579	0.6618	0.6565	0.6478
June	0.6618	0.6654	0.6596	0.6514
Sept.	0.6660	0.6680	0.6525	0.6549

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Mar.	269.80	271.30	268.50	269.00
June	271.00	272.60	269.80	270.15
Sept.	272.40	273.50	271.00	271.45
Dec.	273.20	274.30	271.90	272.20

EUROPEAN OPTIONS EXCHANGE

HOOGOVENS P	Fl.40	100	7	—	—	—	—
KLM C	Fl.35	508	3.90	18	5.30	3	5.60
KLM P	Fl.40	196	4.30B	107	5	4	5.20
NAT. NED C	Fl.80	115	2.60	22	3.50	10	4.20
NAT. NED. P	Fl.80	36	3.80	—	—	—	—
PHILIPS C	Fl.45	1141	2.60	100	3.60	22	4.80
PHILIPS P	Fl.45	299	2.50B	64	3.30B	2	4.20
ROYAL DUTCH C	Fl.210	710	7.30	18	9.40	279	10.30
ROYAL DUTCH P	Fl.200	103	1.90	263	4.70	16	6.50
ROBECO C	Fl.100	22	0.70	—	—	—	—
ROBECO P	Fl.95	18	2.50	—	—	—	—
UNILEVER C	Fl.520	419	15	8	25	12	30.50
UNILEVER P	Fl.520	130	18B	3	29.40	—	—

Stock prices: KLM Fl.37.20; NAT. NED. Fl.77; PHILIPS Fl.45.40; ROYAL DUTCH Fl.211.70; ROBECO Fl.96; UNILEVER Fl.509.50

TOTAL VOLUME IN CONTRACTS: For 22/1/87 31,929

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	11	● Charterhouse Bank	11	● Morgan Grenfell	11
Adam & Company	11	Citibank NA	11	Mat Credit Corp. Ltd.	11
Allied Arab Bk Ltd	11	Citibank Savings	¶12.45	Nat Bk. of Kuwait	11
Allied Dunbar & Co	11	City Merchants Bank	11	National Girobank	11
Allied Irish Bank	11	Clydesdale Bank	11	Nat Westminster	11
American Exp. Bk	11	Comm. Bk. N. East	11	Northern Bank Ltd	11
Amro Bank	11	Consolidated Cred	11	Norwich Gen. Trust	11
Henry Ansbacher	11	Co-operative Bank	*11	PK Finans. Intl (UK)	11½
ANZ Banking Group	11	Cyprus Popular Bk	11	Provincial Trust Ltd	12
Associates Cap Corp	11	Duncan Lawrie	11	R. Raphael & Sons	11
Authority & Co Ltd	11½	E. T. Trust	12	Roxburghe G'rantee	11½
Banco de Bilbao	11	Equator'l Tst C'p plc	11	Royal Bk of Scotland	11
Bank Hapoalim	11	Exeter Trust Ltd	11½	Royal Trust Bank	11
Bank Leumi (UK)	11	Financial & Gen. Sec	11	Standard Chartered	11
Bank Credit & Comm	11	First Nat. Fin. Corp	11½	Trustee Savings Bank	11
Bank of Cyprus	11	First Nat. Sec. Ltd	11½	UDT Mortgage Exp.	¶12.25
Bank of Ireland	11	● Robert Fleming & Co	11	United Bk of Kuwait	11
Bank of India	12	Robert Fraser & Ptrs	12	United Mizrahi Bank	11
Bank of Scotland	11	Grindlays Bank	‡11	Westpac B'nking Corp	11
Banque Belge Ltd	11	● Guinness Mahon	11	Whiteaway Laidlaw	11½
Barclays Bank	11	HFC Trust & Savings	11	Yorkshire Bank	11
Benchmark Tst Ltd	11	● Hambro Bank	11		
Beneficial Trust Ltd	12	Heritable & Gen. Tst	11		
Berliner Bank AG	11	● Hill Samuel	§11		
Brit. Bk. of Mid. East	11	C. Hoare & Co	11		
● Brown Shipley	11	Hongkong & Shangh'	11		
Cl. Bank Nederland	11	Lloyds Bank	11		
Canada Permanent	11	Mase Westpac Ltd	11		
Cayzer Ltd	11	Meghraj & Sons Ltd	11		
Cedar Holdings	12	Midland Bank	11		

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%. 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.

MONEY MARKETS

German rates cut

THE West German Bundesbank cut its discount and Lombard rates yesterday in response to growing upward pressure on the D-Mark and the damage caused within the EMS. The discount rate was reduced to 3 per cent from 3½ per cent and the Lombard rate to 5 per cent from 5½ per cent. Moves to allay fears over excess money supply growth included an DM 8bn cut in commercial banks' rediscount quota as from February 2 and also an increase in banks' minimum reserve requirements on domestic and foreign liabilities by 10 per cent.

UK clearing bank base lending rate 11 per cent since October 15

Speaking at a press conference called at short notice after the Bundesbank's central council meeting, Mr Gerhard Stoltenberg, West German Finance Minister, stressed that the measures taken were designed to ease tension in currency markets and to protect EMS parities arrived at after the recent re-alignment.

Reaction to the announcement was swift with the Austrian National Bank cutting its discount rate to 3½ per cent from 4 per cent and its Lombard rate to 5 per cent from 5½ per cent. However, in Paris the Bank of France left its money market intervention rate unchanged at 8 per cent. Elsewhere the Swiss National Bank cut its discount rate by half a point to 3½ per cent and its Lombard rate to 5 per cent from 5½ per cent.

Interest rates in London showed little reaction to the cuts in Europe with longer term rates shedding just 1/16th of a point where changed. Three-month interbank money was at 11-10⅞ per cent compared with 11 1/16-10 15/16 per cent while overnight money ranged between 11¾ per cent and 10¾ per cent.

The Bank of England forecast a shortage of around £400m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £611m and the unwinding of previous sale and repurchase agreements a further £339m. In addition banks brought forward balances £70m below target and there was a rise in the note circulation of £25m.

The shortage was revised at £600m and the Bank gave assistance in the morning of £115m through outright purchases of eligible bank bills, £14m in band 1 at 10⅞ per cent, £100m in band 2 at 10 13/16 per cent and £1m in band 3 at 10¾ per cent. The forecast was later revised to a shortage of around £650m and the Bank gave additional help in the afternoon of £461m through outright purchases of eligible bank bills at unchanged rates, £78m in band 1, £349m in band 2, £13m in band 3 and £21m in band 4. Late help came to £40m, making a total of £616m.

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, January 21, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

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Enquiries: 01-634 4360/5. Dealing 01-236 9861.

ECU=$US1.11662 SDR1=$US1.25521
As of January 22, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	6 3/16	6⅛
Sibor:	6 3/16	6⅛

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60	Gibraltar	Pound*	1.5157	Papua New Guinea	Kina	0.9515
Albania	Lek	6.6636	Greece	Drachma	134.55	Paraguay	Guarani (o)	240.00
Algeria	Dinar	4.63	Greenland	Danish Krone	7.008		Guarani (p)	550.00
Andorra	French Franc	6.169	Grenada	E. Caribbean $	2.70		Guarani (d)	630.00
	Spanish Peseta	129.76	Guadaloupe	Franc	6.169	Peru	Inti (o)	13.95
Angola	Kwanza	29.918	Guam	U.S. $	1.00		Inti (f)	20.23
Antigua	E. Caribbean $	2.70	Guatemala	Quetzal (o)	1.00	Philippines	Peso	20.43
Argentina	Austral	1.293		Quetzal (h, I)	2.79	Pitcairn Islands	N.Z. Dollar	1.8574

LONDON SHARE SERVICE

BRITISH FUNDS

1986/87 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100⅞	97	Treas 10¼pcCv '87	99	.....	—	—
99	92	Exch 2½pc 1987	99	.....	2.51	9.30
101¼	97½	Exch. 10½pc 1987	99⅝	.....	10.52	10.94
100	95⅝	Funding 6½pc 85-87	99¼	+	6.55	9.33
101¼	96	Treas. 10pc 1987	99	–	10.02	10.42
97	90⅝	Treas 3pc 1987	97	.....	3.07	8.12
104½	99⅝	Treas. 12pc 1987	101	.....	11.87	10.37
99¼	92	Treas 7¾pc 1985-88‡‡	98	+	7.90	9.82
104	96¼	Exch 10½pc '88	100	–	10.48	10.33
102¼	95¼	Treas 9¾pc Cv '88	99	.....	9.83	10.37
94¼	86¾	Transport 3pc '78-88	93	+	3.21	7.95
102½	93	Treas. 9½pc '88	98	–	9.64	10.40
107	98	Treas 11½pc 1989	102	+	11.27	10.40
103½	93	Treas 9½pc Cnv 1989	98	.....	9.66	10.31
92¼	82	Treas 3pc 1989	89	+	3.34	7.87
105	95	Treas 10½pc 1989	100	–	10.46	10.29
104	94¼	Exch 10pc 1989	99	–	10.07	10.33
107	97	Exch 11pc 1989	101	–	10.85	10.38
93	84	Treas 5pc 1986-89	90¼	–	5.51	8.77
110	94	Exch 10¼pcCv '89	101	+	10.10	9.61
114	103	Treas 13pc 1990‡‡	106	–	12.17	10.28
108¼	97¼	Exch 11pc 1990‡‡	101	–	10.80	10.30
113¼	101	Exch. 12½pc 1990	105	+	11.82	10.31
89¼	79	Treas. 3pc 1990	85	+	3.51	8.12
100	89¼	Treas 8¼pc 1987-90‡‡	95	+	8.65	9.88
106	93	Treas. 10pcCv 1990	98	–	10.11	10.35
86	76½	Exch 2½pc 1990	82	–	3.05	7.99
112	99	Treas 11¾pc 1991	104	.....	11.24	10.33
94¼	83	Funding 5¾pc '87-91‡‡	88	–	6.51	9.16
[illegible]						

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

1986/87 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
102	70	[illegible] 10p	78	......	12.46	2.6	4.4	12.0
78½	65	Mitchell Cotts	64	......	1.5	2.2	3.3	16.5
128	81	Mounts & Crane 10p	124	+2	2.7	2.9	3.1	15.2
323	210	Morgan Crucible	328	......	18.5	1.5	3.8	21.1
23½	15½	Morris (W) F.A. 20p	20½	......	—	—	—	—
148	65	Myson Grp 10p	148	......	2.63	2.6	2.2	21.7
365	213	MMW Computers	290	–20	16.0	3.0	3.7	13.2
141	27	Nash Inds.	133	......	1.5	♦	1.6	♦
27½	12½	Neil & Spencer 10p	27	......	—	—	—	—
39	28	Newman Inds 10p	37	......	0.8	1.5	3.0	28.9
134	65	Noble & Lund 10p	90	......	0.7	4.3	1.1	29.6
65	39	Nolton	55	......	1.2	2.9	3.1	15.8
152	96	Norank Systems 5p	146	–1	1.5	—	1.4	18.7
286	187	Norcros	269	–1	9.3	2.3	4.9	12.3
222	49	Nu-Swift 5p	220	......	3.5	2.1	2.2	29.6
£356½	£228	OCE 9pc Cnv 1987-92	£300½	......	9%	—	3.1	—
118	80	Oakwood Grp	115	–1	4.0	♦	5.1	♦
250	173	Office & Elect	189	–2	8.5	2.9	6.3	7.7
34	26	Omnitech 1p	32	......	—	—	—	—
36	18	Optometrics $0.01	21	–2	—	—	—	—
890	580	Oriflame £1	808	+3	28.5	2.1	5.0	15.7
10	5	Ovenstone 12½c	5	......	03.29	1.9	20.0	2.6
142	85	PCT Grp 10p	133	+8	5.2	—	5.0	—
£30½	£23½	PLM 'B' Sk25	£27½	–¼	023.2%	0.3	3.5	—
255	160	Paper Systems $0.01	166	–3	03.84	4.5	1.6	14.5
78	44	Pacific Sales 10p	46	......	3.0	1.4	9.2	11.0
528	246	Parker Knoll 'A'	490	......	12.0	3.2	3.4	12.8
222	83	Parkfield Group 2p	208	......	3.6	4.2	2.4	13.2
53	17	Parlon Intl	29	+½	—	—	—	7.7
£130	£64½	Do 11pc CvLn '94-02	£92	......	011%	—	12.5	—
617	393	Pearson	576	–3	10.0	2.8	2.4	18.7
90	12	Peek Holdings 5p	45½	+3	—	—	—	—
176	88	Peerless	161	......	6.3	2.0	3.6	20.0

[illegible]

LEISURE—Continued

1986/87 High	Low	Stock	Price	+ or –	Div Net	C'vr
63½	32	Leisure Inv 20p	63½	–½	0.36	7.4
112	55	Leisuretime Int 10p	78	+1	2.3	0.9
123	91	[illegible]	108	......	2.63	3.4
98	71	[illegible] Dev. 50p	81	+1	R3.13	3.0
172½	143	Mecca Leisure 10p	172½	+1	4.1	♦
220	96	Media Tech Int 20p	188	......	2.8	4.5
170	150	[illegible] 10p	165	......	6.25	1.9
450	220	[illegible] 30p	450	......	4.0	♦
220	130	Miles World 10p	175	......	15.2	3.3
90	62	Nationwide Leisure	69½	+3	3.75	2.5
17	8	[illegible] Int 20p	10	–1	—	—
294	124	Orient Ex Htls $0.125	171	–2	—	—
49	23	Owners Abroad 5p	49	+1½	1.5	2.5
90	46	Phocas (Leo)	80	......	—	—
43	25½	Piccadilly Radio NV 5p	41	......	2.0	♦
78	25½	Pineapple 10p	72½	......	—	—
391	280	Pleasurama 5p	327	–8	17.5	3.6
178	136	Do. 7pcCnvCumRedPf	151	–2	7%	—
157	95	Prestwich	115	......	0.85	6.9
50	18	Radio City 'A' NV	50	+1	—	—
61	38	Radio Clyde NV	61	......	3.5	1.6
408	322	Really Useful Grp 5p	348	......	11.25	2.2
64	36½	Riley Leisure 10p	52	–½	—	—
230	129	Saga Hols. 20p	166	+1	4.6	2.6
355	148	Samuelson Grp 20p	275	–2	2.4	6.5
125	69	Sanders Photo 10p	83	......	12.2	1.5
178	93	Scare 20p	183xr	......	4.0	3.5
368	175	Scot. TV 10p	368	+24	10.5	3.3
27	7	SelecTV 10p	14½	......	—	—
37	20	[illegible] 5p	23	......	1.20	4.8
199	119	Stanley Leisure	199	+1	3.25	2.8
34½	31	TSW 5p	54½	+3	2.05	2.6
266	137	TV-am 10p	266	+11	5.75	2.6

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

[illegible]

NOTES

[illegible]

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	62	......	Fin. 13% 97/02	£100¼	–⅞
Craig & Rose £1	£14¼	......	Arnotts	395	......
Finlay Pkg. 5p	55	+1	CPI Hldgs	60	......
Holt (Jos) 25p	840	......	Carrol Inds.	158xd	–3
Isle Man Stm. £1	75	......	Dublin Gas	18	......
			Hall (R. & H.)	180	–2
IRISH			Heiton Hldgs.	33	+3
Fund 12¼% 1988	£97½	......	Irish Ropes	146xd	+1
Nat. 9¾% 84/89	£95¾	......	Unidare	350	+15

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £675 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates Option *First Dealings	Declarations	Last Dealings	Account Day
Jan 12	Jan 22	Jan 23	Feb 2
Jan 26	Feb 5	Feb 6	Feb 16
Feb 9	Feb 19	Feb 20	Mar 2

* New time dealings may take place from 9.00 am two business days earlier.

International equities move up strongly but Gilts run into modest profit-taking

The widely-heralded cut in the West German discount rate brought the international traders back into the London equity market yesterday. Gilt-edged saw some profit-taking after the Bundesbank announcement, but steadied in late dealings as the market began to look for a similar move by Japan next week.

While the multinational stocks showed significant gains, bullishness in equities was again restrained by worries over the City insider trading dramas. **Guinness** traded heavily, closing sharply higher after the board rebuffed a tentative merger suggestion from Argyll Group, its rival in the Distillers bid now under a cloud of investigation. **Argyll** fell smartly.

Among the international bid favourites, **Cadbury-Schweppes** surged ahead again as a major US house appeared as a buyer. But local traders questioned whether a bidder might be discouraged by the likelihood of an inquiry into the recent movement in the shares.

Glaxo rose strongly, with US buyers continuing to catch up on the stock, which were bought heavily by London and Tokyo houses before Christmas, when the shares were much cheaper. **Imperial Chemical Industries, Jaguar** and **Saatchi & Saatchi** were also in demand.

These gains in leading stocks propelled the market ahead in the early part of the session but buyers second line issues were more cautious. Profit-taking trimmed gains before the close.

The FT-SE 100 index, 20 points up at best, ended a net 15.9 up at 1777.5, while the FT ordinary index added 17.4 to 1404.1.

Government bonds opened firmly as the prospect of a cut in German rates brought in the buyers. But hefty bull positions had been built up ahead of the Bundesbank announcement, and prices quickly turned off when the news stimulated some profit-taking.

There was never any great weight of selling, however, and losses of ⅝ or so were trimmed in late dealings as the profit-takers were shaken out, to be replaced by the bulls who see the German move as the opening move in a reduction in interest rates by the major industrial countries. At the close, the FT Government securities index was 0.06 off at 85.74.

J. Rothschild revive

Firmer conditions returned to Merchant banks with **J. Rothschild** notable for a gain of 6 to 148½p as director share purchases found the market short of stock. **Hill Samuel** shrugged aside Turner and Newall litigation worries and firmed 12 at 508p as speculators turned their thoughts to a possible bid coming from FAI-Insurances, which already owns a 7.4 per cent stake in the company. **Schroders** gained 8 at 793p and **Kleinwort Benson** appreciated 9 at 610p. **Benchmark**, which recently announced an agreed merger with Manchester and London-based stockbrokers, Charlton Seal Dimmock, added 3 at 61p in response to an investment recommendation. **Morgan Grenfell**, however, still reflected recent top-level resignations and a profits downgrading by Greenwell Montagu and softened a couple of pence more to 405p, after 403p. **Henry Ansbacher** eased a penny to 89p, after 88p, following news of the resignation of managing director, Lord Spens. Elsewhere, clearing banks perked up with **NatWest** rallying 7 to 582p and **Lloyds** 6 dearer at 493p. **TSB** hardened 1¾ to 79¾p; the preliminary results are scheduled for next Thursday.

A friendless sector of late as operators feared that substantial flood damage claims would be made as a result of the recent spell of arctic weather in the UK, Composite Insurances staged a tentative rally. **Royals** edged up 6 at 876p and **Sun Alliance** closed a similar amount better at 700p. **GRE** also added 6 at 814p and **General Accident** improved 5 at 855p. Elsewhere, **Sturge** put on 7 to 478p on news of the proposed £6.76m acquisition of stockbroking concern, Wise Speke.

Viking Packaging staged a successful market debut, the shares opening at 148p and moving ahead to close at 168p compared with the placing price of 130p. **British Gas** were a firm market and touched 71¾p prior to closing ¼ higher at 70¼p.

Guinness traded heavily and attained second place in the most active stocks list with a turnover of nearly 24m shares following merger overtures from James Gulliver, chairman of **Argyll Group**. Guinness closed 14 higher at a peak for the session of 280p but Argyll, after rising to 360p, slumped late to end a net 13 lower at 341p. Revived speculation of a bid from either Whitbread or Pleasurama pushed **Vaux** 19 higher to 509p, while **Bass** were good again at 767p, up 10; Wood Mackenzie rate the latter a buy.

Leading Buildings displayed moderate gains following a reasonable turnover. **RMC** were a good market and closed 18 higher at 734p following a broker's circular. **BPB Industries** also attracted support at 565p, up 11, while **Marley**, reflecting a broker's recommendation, added 2 to 135p. **George Wimpey** firmed 5 to 208p and **Barratt Developments** 2 to 170p, the latter reflecting revived speculative demand. **Alfred McAlpine**, still responding to a US computer buy trade, gained 9 more to 432p, while **McCarthy and Stone** moved up 5 to 354p. **Wiggins** gained 10 to 165p in reply to the good interim results, while **Blockleys** moved up ⅛ to £11⅛ in a restricted market.

ICI shrugged aside early uncertainty and subsequently moved forward to close ⅛ dearer at £12.

FINANCIAL TIMES STOCK INDICES

	Jan. 22	Jan. 21	Jan. 20	Jan. 19	Jan. 16	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	85.74	85.80	85.53	85.31	85.43	80.45	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.71	91.71	91.65	91.66	91.52	86.55	97.68 (7/7/86)	86.55 (23/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,404.1	1,386.7	1,399.0	1,397.0	1,403.0	1,120.4	1,425.9 (3/4/86)	1,094.3 (14/1/86)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	323.8	328.0	335.4	335.2	330.0	324.3	357.8 (22/9/86)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.07	4.12	4.09	4.10	4.08	4.39				
Earnings Yld.%(full)	9.54	9.66	9.59	9.61	9.62	10.77				
P/E Ratio (net) (*)	12.84	12.68	12.78	12.75	12.75	11.53				
SEAQ Bargains (5 pm)	36,534	34,066	38,294	43,425	44,842	—				
Equity Turnover (£m)	—	1,184.17	1,244.47	1,190.85	1,737.58	643.1				
Equity Bargains	—	45,651	50,127	58,553	54,066	24,947				
Shares Traded (ml)	—	441.7	482.9	525.1	625.2	309.3				

S.E. ACTIVITY

Indices	Jan. 21	Jan. 20
Gilt Edged Bargains	148.9	140.5
Equity Bargains	295.8	324.8
Equity Value	2393.5	2515.4
5-Day Average		
Gilt Edged Bargains	132.7	121.7
Equity Bargains	329.3	318.1
Equity Value	2713.1	2713.2

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1382.7	1390.6	1396.9	1399.4	1400.2	1404.6	1405.2	1405.0

Day's High 1406.2. Day's Low 1382.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, †Corrected *Nil=12.37.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

A denial that the company was about to be investigated by the DTI helped **Burton** rally and restore some calm to the Stores sector. Burton, after Wednesday's fall of 31, recovered to 260p at one stage before closing a couple of pence dearer at 255p. **Harris Queensway** recorded a sympathetic improvement of 4 to 191p. **Marks and Spencer** put on 2½ at 195p. Elsewhere, **Coats Viyella**, 18 up at 528p, reflected demand in a market short of stock, while **Ward White** attracted renewed support at 319p, up 10. **Ratners**, meanwhile, succumbed to further selling and lost 6½ more making a two-day decline of 17 at 251p as rumours continued that the group could be dragged into the Guinness imbroglio.

Despite the late announcement that its engineering workers seek an all-out strike from Monday if the suspended workers are not reinstated, **British Telecom**, at 219½p, held on to a rise of 3½. **Thorn EMI**, still reflecting an upgraded profits forecast by BZW, firmed 7 afresh at 546p, while **Racal** rose 3 to 193p ahead of next Tuesday's results. Elsewhere, **United Scientific** jumped 15 to 194p on revived speculative buying and gains of 9 and 10 respectively were seen in **Burgess Products**, 235p, and **Pressac**, 183p. Consideration of the sale of its stake in Tenby left **BSR** 7 higher at 112p and **Microgen** advanced 23 to 457p on further consideration of the results.

APV, still reflecting the expected benefits from the agreed merger with Baker Perkins, advanced 25 further to 648p; the latter gained 9 at 387p. Elsewhere among the Engineers, **Braithwaite** advanced 14 to 209p on news that Extracharm has increased its holding to 29.83 per cent. Extracharm is a company owned by Samuel Montagu (Holdings) and Andrew Charles Filton. **Hill and Smith** improved 4 to 126p in response to the good preliminary figures and proposed one-for-five scrip issue, but disappointing half-year results prompted a reaction of 8 to 85p in **MS International**. Comment on the interim figures helped **Davy Corporation** rally a few pence to 159p. Press mention enlivened interest in **Aurora**, 2 to the good at 77p, while a newspaper recommendation was also behind a rise of 4 to 150p in **Concentric**. **TI** continued to edge higher at 543p, following news of the sale of its bicycle interests.

Cadbury Schweppes were an active market and gained 10 to 215p amid mounting takeover speculation. **Rowntree Mackintosh** rose 7 to 456p in sympathy. Elsewhere in the Food sector, **S. & W. Berisford** shed 5 to 249p, after 245p, on fears that both potential bids for the company, from **Tate and Lyle** and Ferruzzi, of Italy, may be blocked by the Monopolies Commission. Tate and Lyle moved up 16 to 629p. **Hillsdown** revived with an improvement of 5 at 230p and **Unigate** picked up 3 at 338p. Renewed demand boosted **Northern Foods** 4 to 263p and **United Biscuits** a similar amount to 256p. **Fitch Lovell**, however, settled a penny cheaper at 270p despite revealing interim profits much in line with market estimates. **Sidney C. Banks** rose 15 to 420p following press comment and **Carr's Milling** advanced 10 to 225p in a restricted market.

Berisfords, reflecting the agreed offer for Ferguson Industrial Holdings, featured a rise of 18 at 155p; the latter gave up 8 to 277p. Elsewhere in the miscellaneous industrial sector, **Rank Organisation** encountered buyers and put on 17 to 577p along with **Pentland**, up 20 at 525p. **Christies International** advanced 11 to 348p on the out of court settlement with Christallina. USM quoted **Southern Business Group** responded afresh to the preliminary figures with a further gain of 38 at 238p. **Charter Consolidated** were in demand and improved 10 to 321p. **Burndene** continued to respond to the bumper results and proposed capital reorganisation with a fresh rise of 7 to 135p. **Smiths Industries** revived with a gain of 14 at 290p, but **NMW Computer** ran in to further selling and fell 20 more to 230p. **Wellcome** continued higher at 280p, up 5, while **Redfearn Glass**, reflecting the encouraging tenor the chairman's statement at the annual meeting, firmed 12 to 390p. Among the leaders, demand persisted for **Glaxo** on drug development hopes and the shares advanced afresh to close ⅜ higher at £11⅞. **BTR** slipped a few pence further to 278p in a relatively active trade.

Television issues went from strength to strength in a market short of stock. **LWT** were again outstanding and rose a further 50 to 595p. **Thames** gained 15 to 362p and **Yorkshire** 10 to 222p, while rises of around 12 were seen in **Central**, 425p, and **TV-am**, 266p. **Anglia TV** recovered its poise after Wednesday's announcement of results and a £8.5m rights issue and rallied 22½ to 389p.

First-half profits up 33 per cent on the corresponding period of last year but slightly below analysts projections caused **Dowty** to slip back 3 to 243p. Other Motor Component issues moved higher with **Armstrong Equipment** the feature at 145p, up 5. Distributors trended easier again with the exception of USM-listed **Laidlaw**, which rose 7 to 100p.

Newspapers remained in vogue and **Associated** jumped 15 more to 481p, still reflecting Kleinwort Grievson's recent circular, while **United** rose 14 to 448p. Paper/Printing also presented firm features, **BPCC** rising 6 to 271p and **Ault and Wiborg** gaining 6 further to 91p. **John Waddington** advanced 15 to 215p but **Clarke Hooper** ran back 5 to 150p following comment on the mid-term results. Awaiting today's interim statement, **Brunning** improved 4 to 170p.

The Property leaders drifted lower in thin trading. **Land Securities** settled 3 cheaper at 342p and **MEPC** softened 2 to 344p. **British Land**, however, added 2 to 184p, helped by news of the chairman's increased holding. **Hammerson A** lost 10 more at 445p and **Great Portland Estates** eased 3 to 211p. Elsewhere, **Cons Term** continued to attract buyers on asset injection hopes and gained 4 more to 68p, while **Laing Properties** firmed 2 to 323p. **Centrovincial Estates** added 6 to 201p following the interim results.

British and Commonwealth were towed higher by other quality stocks and ended the day 7 better at 345p. **P. & O.** also made headway, gaining 6 to 553p, but remaining Shipping movements were insignificant.

Tomkinsons surged to a record level of 305p, up 42, when demand aroused by a "buy" recommendation from securities house EZW found the only two marketmakers short of stock. The Textile sector generally appeared more confident and **Courtaulds** resumed their recent advance to close 13 higher at 354p. Investors showed renewed enthusiasm for **John Crowther**, 3 better at 186p, while **Dawson International** picked up 5 at 263p. **John Beales** responded to excellent interim figures, which outweighed the warning of slower second-half growth, by settling 10 dearer at a 1986-87 high of 219p.

Tobacco issues also enjoyed firmer conditions after a recent lean spell. **BAT Industries** traded more briskly and, after a turnover of around 4m shares, ended 8 higher at 494p. **Rothmans International** recovered 2 to 184p.

F & C Eurotrust's take-over move for **General Funds IT** resulted in minor rises in both the Ordinary, at 226p, and Convertible, 255p, but brought a fall of 10 to 295p in the shares of the bidder company. **Derby Trust** eased to 150p after the preliminary statement but **Scottish IT** moved up 5 to 428p on news of a $30m five-year loan facility which will be used partly to repay borrowing and partly to finance further portfolio investments.

Among Financials, fading bid hopes produced profit-taking in **Mercantile House**, down 9 at 385p, but fresh demand raised **NMC Investments** 5 to 176p.

Shell steady

The Oil majors opened lower reflecting Wall Street's overnight fall, but staged a good rally later in the day before drifting off after hours to close a shade easier for choice. **Shell** however, were a steady market throughout and settled a shade firmer at £10⅝. **British Petroleum** finished a couple of pence cheaper at 768p.

Harrisons and Crosfield reclaimed attention with some investors ready to pay premiums for "new-time" purchases and the shares were finally 12 up at 511p. **Inchcape** also attracted revived interest at 538p, a gain of 5.

Gold shares opened easier again as traders anticipated the cut in the German discount rate which was expected to strengthen the dollar, and thus bear down on bullion prices. But Cape sellers were proved mistaken when bullion prices gained $2¾ to $409¾, bringing a swift recovery in gold producer issues. The upward momentum was later sustained when New York opened, and the market closed on a firm note.

Bracken Mines, Grootvlei, and **Kinross** featured in the list of gains. But several of the heavyweights proved unable to recover their early losses. **Western Areas** and **Western Deep Levels** remained on the downside. The FT Gold mines index dipped 4.2 to 323.8.

Traded Options

Activity in traded options waned with 43,342 contracts completed compared with the previous day's total of over 61,000. Nevertheless, **British Gas** continued to feature, recording 7,887 calls and 2,098 puts following comment on the interim results. **Cadbury Schweppes**, currently the subject of US takeover speculation, attracted 2,043 calls and 180 puts and **Hanson** were also popular with 2,844 calls and 1,176 puts done.

Traditional Options

- First dealings Jan 19 Feb 2 Feb 16
- Last dealings Jan 30 Feb 13 Feb 27
- Last declaration Apr 23 May 7 May 28
- For Settlement May 5 May 18 June 8

For rate indications see end of Unit Trust Service

Money was given for the call of **Norfolk Capital, St Modwen, Bristol Channel, North Kalgurli, Border TV, Centreway Industries, Joseph Webb, Hestair, C. H. Beezer, Yelverton, Morgan Grenfell, Amari, Burndene, Nottingham Brick, Bestwood, Loudon Securities, Burton Group, Polly Peck, Pilkington, J. Israel, Eglinton, Phicom, Ward Holdings, BOC, Commercial Union** and **British Benzol**. A put was arranged in **Phoenix Properties**, while double options were transacted in **North Kalgurli** and **Norfolk Capital**.

NEW HIGHS AND LOWS FOR 1986-87

NEW HIGHS (190)

BRITISH FUNDS (1), CANADIANS (1), BANKS (7), BREWERS (1), BUILDINGS (11), CHEMICALS (5), STORES (7), ELECTRICALS (13), ENGINEERING (23), FOODS (10), HOTELS (3), INDUSTRIALS (38), INSURANCE (2), LEISURE (13), MOTORS (7), NEWSPAPERS (6), PAPER (9), PROPERTY (11), TEXTILES (4), TRUSTS (23), OILS (2), OVERSEAS TRADERS (1), MINES (2).

NEW LOWS (4)

BREWERS (1) *Invergordon*, CHEMICALS (1) *Morceau*, INDUSTRIALS (2) *Brierley Inv, Hille Ergonom.*

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	2,500	150	+3
Allied Lyons	1,000	342	+3
BAT	3,950	494	+8
BET	708	486	+3
BOC	3,300	392	+6
BTR	4,000	278	–3
Barclays	497	535	—
Bass	987	767	+10
Beecham	3,400	460	–3
Blue Circle	261	683	—
Boots	4,200	247	+2½
Brit. Aero	456	578	–2
Brit. Gas	37,700	70¼	+¼
Britoil	2,500	188	—
BP	1,800	768	–2
Brit. Telecom	15,925	219½	+3½
Burton	9,250	255	+2
Cable & Wire	3,200	349	+2
Cadbury Schwps.	20,000	215	+10
Coats Viyella	1,300	528	+18
Comm. Union	2,900	288	+2
Cons. Gold	1,500	750	+8
Courtaulds	2,900	354	+13
Dee Corp	2,900	229	+1
Dixons Grp	1,600	313	—
Fisons	474	591	+6
Gen. Accident	410	858	+8
Gen. Elect	4,200	195	+2
Glaxo	4,300	£11⅞	+⅜
Grand Met	3,500	462	+4½
Gus "A"	73	£11⅛	—
Guardian R.E.	740	825	+17
GKN	1,200	300	–½
Guinness	23,850	280	+14
Hanson Trust	20,000	193½	–1½
Hawker Sidd	212	497	+1
ICI	1,075	£12	+⅛
Jaguar	2,200	566	[illegible]
Ladbroke	488	396	+6
Land Securities	1,000	342	–3
Legal & Gen.	1,700	269	+4
Lloyds Bank	1,700	493	+6
Lonrho	756	258	+1½
Marks & Spncr	4,785	195	+2½
Midland Bank	632	600	+3
NatWest Bank	1,400	582	+7
Pearson	610	576	–3
P & O	[illegible]	[illegible]	[illegible]
Pilkington Bros	[illegible]	[illegible]	[illegible]
Plessey	[illegible]	[illegible]	[illegible]
Prudential	[illegible]	[illegible]	[illegible]
Racal	[illegible]	[illegible]	[illegible]
Rank Org	[illegible]	[illegible]	[illegible]
Reckitt & Col	[illegible]	[illegible]	[illegible]
Reuters	[illegible]	[illegible]	[illegible]
RTZ	[illegible]	[illegible]	[illegible]
Rowntree Mac	[illegible]	[illegible]	[illegible]
Royal Insurance	[illegible]	[illegible]	[illegible]
STC	[illegible]	[illegible]	[illegible]
Sainsbury	[illegible]	[illegible]	[illegible]
Sears	[illegible]	[illegible]	[illegible]
Sedgwick	[illegible]	[illegible]	[illegible]
Shell Trans	[illegible]	[illegible]	[illegible]
Smith & Nephew	[illegible]	[illegible]	[illegible]
Standard Chart	[illegible]	[illegible]	[illegible]
Storehouse	[illegible]	[illegible]	[illegible]
Sun Alliance	[illegible]	[illegible]	[illegible]
TSB	[illegible]	[illegible]	[illegible]
Tesco	[illegible]	[illegible]	[illegible]
Thorn EMI	[illegible]	[illegible]	[illegible]
Trafalgar House	[illegible]	[illegible]	[illegible]
T'house Forte	[illegible]	[illegible]	[illegible]
Unilever	[illegible]	[illegible]	[illegible]
United Biscuits	[illegible]	[illegible]	[illegible]
Wellcome	[illegible]	[illegible]	[illegible]
Woolworth	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	30	[illegible]	12
Corporations, Dominion and Foreign Bonds	0	0	[illegible]
Industrials	550	419	564
Financial and Properties	172	151	261
Oils	24	41	48
Plantations	0	0	[illegible]
Mines	33	88	62
Others	23	115	47
Totals	832	890	1,072

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday January 22 1987 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed Jan 21 Index No.	Tues Jan 20 Index No.	Mon Jan 19 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (209)	749.76	+0.6	8.42	3.52	15.04	0.13	745.28	750.79	749.97	569.02
2 Building Materials (27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (61)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (186)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (37)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (87)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (482)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (117)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (47)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (96)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (727)	886.96	+0.8	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX ♦	1777.5	+15.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Thurs Jan 22	Day's change %	Wed Jan 21	xd adj. today	xd adj. 1987 to date
British Government					
1 5 years	120.65	+0.01	120.64	—	[illegible]
2 5-15 years	133.30	[illegible]	[illegible]	—	[illegible]
3 Over 15 years	142.54	[illegible]	143.41	—	[illegible]
4 Irredeemables	155.91	+0.32	155.41	—	[illegible]
5 All stocks	132.72	–0.24	133.04	—	[illegible]
Index-Linked					
6 5 years	117.41	+0.02	117.38	—	[illegible]
7 Over 5 years	114.17	+0.33	113.80	—	[illegible]
8 All stocks	114.67	+0.28	114.35	—	[illegible]
9 Debentures & Loans	117.66	+0.32	117.28	—	[illegible]
10 Preference	81.42	+0.06	81.37	—	[illegible]

AVERAGE GROSS REDEMPTION YIELDS	Thurs Jan 22	Wed Jan 21	Year ago (approx.)
British Government			
1 Low Coupons 5 years	[illegible]	[illegible]	[illegible]
2 Low Coupons 15 years	[illegible]	[illegible]	[illegible]
3 Low Coupons 25 years	[illegible]	[illegible]	[illegible]
4 Medium Coupons 5 years	[illegible]	[illegible]	[illegible]
5 Medium Coupons 15 years	[illegible]	[illegible]	[illegible]
6 Medium Coupons 25 years	[illegible]	[illegible]	[illegible]
7 High Coupons 5 years	[illegible]	[illegible]	[illegible]
8 High Coupons 15 years	[illegible]	[illegible]	[illegible]
9 High Coupons 25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables	[illegible]	[illegible]	[illegible]
Index-Linked			
11 Inflat'n rate 5% 5 yrs	[illegible]	[illegible]	[illegible]
12 Inflat'n rate 5% Over 5 yrs	[illegible]	[illegible]	[illegible]
13 Inflat'n rate 10% 5 yrs	[illegible]	[illegible]	[illegible]
14 Inflat'n rate 10% Over 5 yrs	[illegible]	[illegible]	[illegible]
15 Debs & Loans 5 years	[illegible]	[illegible]	[illegible]
16 Debs & Loans 15 years	[illegible]	[illegible]	[illegible]
17 Debs & Loans 25 years	[illegible]	[illegible]	[illegible]
18 Preference	[illegible]	[illegible]	[illegible]

♦Opening index 1756.7; 10 am 1763.9; 11 am 1770.6; Noon 1774.4; 1 pm 1774.5; 2 pm 1779.5; 3 pm 1780.6; 3.30 pm 1778.9; 4 pm 1778.0.

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
Allied Lyons (*342)	280	73	80	—	2	3	—
	300	55	63	70	2½	8	11
	330	33	43	45	12	17	20
	360	11	20	25	27	32	35
B.P. (*769)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Gas	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Courtaulds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Com. Union	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cable & Wire	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
G.E.C.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I.C.I.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Securities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Spen.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar House	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TSB	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Woolworth	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Feb.	Calls May.	Calls Aug.	Puts Feb.	Puts May.	Puts Aug.
Ladbroke (*396)	330	73	80	90	0½	2	3
	360	44	53	65	1½	5	8
	390	20	32	43	8	14	18
	420	7	17	28	27	35	38
LASMO	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Bk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P. & O.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R.T.Z.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vaal Reefs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tr. 11¾% 1991	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tr. 11¾% 03/07	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Mar	Calls June	Calls Sep	Puts Mar	Puts June	Puts Sep
Beecham	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BTR	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blue Circle	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
De Beers	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dixons	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Glaxo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lonrho	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tesco	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thorn EMI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Mar	Calls June	Calls Oct	Puts Mar	Puts June	Puts Oct
Bass	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GKN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jaguar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Brit Aero	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BAT Inds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Telecom	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cadbury Schweppes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Guinness	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Jan.	Calls Feb.	Calls Mar.	Puts Jan.	Puts Feb.	Puts Mar.
FT-SE Index	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

January 22. Total Contracts 43,342. Calls 33,678. Puts 9,664. FT-SE Index. Calls 1,355. Puts 1,146. *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price p	+ or –	Net Div.	Times Covered	Gross Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price £	+ or –
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price p	+ or –
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11pm	+1

[illegible]

WORLD STOCK MARKETS

AUSTRIA

Jan. 22	Price Sch.	+ or —
Credit'nst'lt pp	2,180	—5
Goesser	3,090	—30
Interunfall	13,000	......
Jungbunzlauer	9,740	—510
Laenderbank	3,080	+10
Perimooser	622	—3
Steyr Daimler	149	+1
Veitscher Mag	11,010	—10

BELGIUM/LUXEMBOURG

Jan. 22	Price Frs.	+ or —
B.B.L.	3,150	+30
Banq. Gen. Lux.	16,000	......
Banq. Int. A.Lux.	15,150	......
Bekaert	9,940	—40
Ciment CBR	4,115	—5
Cockerill	133	+2
Delhaize	2,750	......
EBES	4,910	......
Fabrique Nat	1,800	......
GB Inno BM	8,460	—180
GBL (Brux)	3,800	+75
Generale Bank	6,140	—80
Gevaert	6,010	......
Hoboken	7,980	—20
Intercom	3,900	—60
Kredietbank	4,110	......
Pan Hldgs.	10,700	......
Petrofina	9,400	......
Royale Belge	29,390	—2
Soc. Gen. Belge	3,350	—20
Sofina	12,100	......
Solvay	8,670	—60
Stanwick Intl	230	......
Tractebel	6,380	—40
UCB	9,940	+30
Wagons-Lits	5,380	......

DENMARK

Jan. 22	Price Knr %	+ or —
Baltica Skand	850	+25
Cop Handels'nk	291	+5
D. Sukkerfab	392	—18
Danske Bank	371	+6
East Asiatic	219	+9
Forenede Brygg.	950	—5
GNT Hld	357	+12
I.S.S.B.	825	......
Jyske Bank	565	+10
Novo Inds*	251	—2
Privatbanken	294	+9
Sophus Berend.	865	—10
Superfos	155	+5

FINLAND

Jan. 22	Price Mks	+ or —
Amer	190	—4
KOP	47.2	—0.25
Kone	190	......
Finnish Sugar	100	......
Nokia	149.5	—0.5
Pohjola "B"	75.8	+0.6
Rauma-Repola	20.2	......
Stockmann "B"	144	+0.5
UBF "C"	30.8	—0.4
Wartsila (S11)	168	—0.5

NETHERLANDS

Jan. 22	Price Fls	+ or —
ACF Holding	61.0	—0.6
AEGON	84.0	+0.3
Ahold	107.54	+0.3
AKZO	138.0	—1
ABN	519.0	—4.5
AMEV	72.20	—0.4
AMRO	88.4	+0.3
Bredero Cert	75.0	—7
Bos Kalis Westm	9.60	—0.1
Buehrmann Tet.	53.80	—1.2
Calland Holdings	19.6	......
Dordtsche Pet'm	196.80	—0.2
Elsevier-NDU	249.0	2
Fokker	56.4	+ ..
Gist Brocades	41.2	+0.1

GERMANY

Jan. 22	Price Dm.	+ or —
AEG	316	+1.5
Allianz Vers	1,980	+75
BASF	255.5	+2.2
Bayer	286.5	+1.0
Bayer-Hypo	596	+2
Bayer-Verein	471	—1
BHF-Bank	501	1
BMW	505	—2
Brown Boveri	295.5	+0.8
Commerzbank	300.5	......
Cont'l Gummi	320	—0.5
Daimler-Benz	1,106	—2.5
Degussa	462	+0.5
D'sche Babcock.	230	+5
Deutsche Bank	780.5	—0.5
Dresdner Bank	387	+0.5
Feld-Muehle Nbl	285	+3
Henkel	477	+3.5
Hochtief	1,060	—40
Hoechst	262.2	+0.2
Hoesch werke	110	+4
Holzmann (P)	535	+8
Horten	235	......
Hussel	614	+10
Karstadt	469	+7
Kaufhof	525	+3
KHD	156	+3
Kloeckner	60	+0.5
Linde	686	+6
Lufthansa	174	+7
MAN	164.5	+0.5
Mannesmann	168	+3.5
Mercedes Hld	920	+2
Metallgesell	290	+4
Muench Rueck	2,252	—23
Nixdorf	737	+2
Porsche	980	+10
Preussag	186	+4
Rhein West Elect	224.8	+1.8
Rosenthal	325	—4
Schering	642.3	—0.5
Siemens	706.5	+6.5
Thyssen	119	+1.5
Varta	389	+6
Veba	278.5	......
V.E.W.	156.5	+1.5
Verein-West	476	......
Volkswagen	381	—2

ITALY

Jan. 22	Price Lira	+ or —
Banco Com'le	26,810	—190
Bastogi-IRBS	713	—2
Centrale	3,370	......
C.I.R.	6,750	—70
Credito Italiano	3,325	—70
Fiat	13,980	170
General Assicur.	135,599	—100
Italcementi	72,800	+310
La Rinascenten	997	+7
Montedison	2,950	—25
Olivetti	12,801	—99
Pirelli Co.	7,245	—46
Pirelli Spa	5,061	—27
Saipem	4,627	+4
Snia BPD	4,838	—32
Toro Assic	31,500	—200

FRANCE

Jan. 22	Price Frs.	+ or —
Emprunt 4½% 1975	1,633	—27
Emprunt 7% 1973	8,001	—65
Accor	540	+16
Air Liquide	713	+3
BIC	756	—4
Bongrain	2,490	—15
Bouygues	1,235	+24
BSN Gervais	4,635	—6
CIT Alcatel	2,380	—5
Carrefour	3,790	......
Club Mediter'n	727	—16
Cie Bancaire	1,160	+2
Cofimeg	392	......
Damart	2,385	—35
Darty	477	+7
Dumez S.A.	2,110	+10
Eaux (Cie Gen)	1,359	+20
Elf Aquitaine	338.5	+1
Essilor	3,755	+35
Gen.Occ'dentale	1,175	+68
Imetal	101.5	+2.6

NORWAY

Jan. 22	Price Kroner	+ or —
Bergens Bank	182	—3
Bergesen B	265	—2.5
Christiania Bank	191.5	—7.5
Den Norske Cred.	173.5	—2
Elkem	87.0	......
Kosmos	133	......
Kvaerner	177.5	—3.5
Norcem	117	......
Norsk Data	230	......
Norsk Hydro	139.5	2.5
Orkla-Borregaard	370	1.5
Storebrand	298	......

SPAIN

Jan. 22	Price Pta %	+ or —
Bco Bilbao	1,520	+14
Bco Central	1,065	......
Bco Exterior	445	......
Bco Hispano	595	—30
Bco Popular	1,735	—15
Bco Santander	1,105	+7
Bco Vizcaya	1,894	—1
Banesto	850	—14
Dragados	619	+29
Hidrola	105	—3
Iberduero	164	—1.2
Petroleos	538	+28.3
Telefonica	185.2	+6.7

SWEDEN

Jan. 22	Price Kronor	+ or —
AGA	158	—4
Alfa-Laval B	275	......
ASEA (Free)	303	—3
Astr (Free)	535	+5
Atlas Copco	155	—1
BeijerA.B.	140	—7
Cardo (Free)	153	—2
Cellulosa	256	—7
Electrolux B	282	—9
EricssonB.	198	—10
Esselte	125	—1
Mo och Domsjo	240	—1
Pharmacia	199	—4
Saab Scania Free	700	......
Sandvik	145	—7
Skandia	112	—6
Skan Enskilda	110	—3

AUSTRALIA (continued)

Jan. 22	Price Aust. $	+ or —
Gen. Prop. Trust	2.75	......
Hardie (James)	4.6	......
Hartogen Energy	3.2	—0.05
Herald W'yTimes	15	—0.05
ICI Aust.	3.4	—0.05
Industrial Equity	5.34	—0.06
Jimberlana F.P.	0.45	+0.01
Kia Ora Gold	1.0	+0.05
Kidston Gold	8.0	—0.1
Land Lease	10.3	+0.5
MIM	2.43	—0.02
Mayne Nickless	4.05	+0.02
Nat. Aust. Bank	5.78	+0.04
News	17.5	—0.1
Nicholas Kiwi	3.80	......
Noranda (P.Prpd)	2	......
North Broken Hill	2.68	+0.08
Oakbridge	0.55	......
Pacific Dunlop	4.0	+0.1
Pancontinental	3.3	+0.05
Pioneer Conc	3.15	+0.05
Placer Pacific	2.58	—0.02
Poseidon	6.4	+0.1
Queensland Coal	1.62	+0.02
Reckitt & Colman	6.25	......
Santos	4.58	—0.08
Smith Howard	5.1	......
Thos. Natwide	3.95	+0.1
Tooth	6.18	—0.02
Vamgas	3.05	—0.1
Western Mining	6.24	+0.02
Westpac Bank	4.8	+0.05
Woodside Petrol.	1.66	+0.02
Woolworths	3.46	—0.14
Wormald Intl	4.1	+0.1

HONG KONG

Jan. 22	Price H.K.$	+ or —
Bank East Asia	23.9	+0.2
Cathay Pacific	5.8	0.2
Cheung Kong	38.5	......
China Light	19.5	......
Evergo	0.9	—0.01
Hang Seng Bank	42.5	—0.25
Henderson Land	4.47	—0.08
HK China Gas	22.5	—0.3
HK Electric	12	+0.1
HK Land	7.35	—0.05

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

CANADA

TORONTO
Closing prices January 22

[illegible]

F—No voting rights or restricted voting rights.

MONTREAL
Closing prices January 22

[illegible]

Indices

[illegible]

NEW YORK

[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 41

[illegible]

LONDON
Chief price changes (in pence unless otherwise indicated)

RISES

APV Hldgs.	648	+25
Anglia TV	389	+22½
Assoc Newspapers	481	+15
Ault & Wiborg	91	+ 6
Beales (J)	219	+10
Berisfords	155	+18
Cad Schwps	215	+10
Christies Intl	348	+11
Coats Viyella	528	+18
Courtaulds	354	+13
Glaxo	£11⅞	+ ⅜
Guinness	280	+14
Harris & Cros	511	+12
Hill Samuel	508	+12
LWT	595	+50
Laidlaw Group	100	+ 7
Pentland Inds.	525	+20
RMC	734	+18
Rank Org.	577	+17
Rothschild (J)	149	+ 6½
TV-am	266	+11
Tate & Lyle	629	+16
Thames TV	382	+15
Tomkinsons	305	+42
Utd Sci	194	+15
Vaux	509	+19
Waddington (J)	215	+15
Wiggins	165	+10

FALLS

F&C Eurotrust	195	—10

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26	17	AAR s	.60	1.8	20	265	28	27¼	28	+½
30½	21¾	ADT	.92	3.2		146	29	28½	28⅝	
36⅝	17½	AFG s	.12	.3	11	1486	36⅛	35	36⅛	+⅞
34⅞	16¾	AGS			22	121	33¼	32⅝	33¼	+⅜
15	6¼	AMCA				34	7⅛	6⅞	7	
62⅛	43	AMR			14	6243	58½	56½	58¼	+½
27½	24	ANR pf	2.67	10.		4	26	26	26	
16½	10	ARX	.71t	5.8	12	210	12¼	11⅝	12¼	+⅜
42⅛	28¾	ASA	2a	5.0		662	40½	39⅞	40⅜	+⅞
18⅝	9¾	AVX			22	479	15	14⅛	14⅝	−⅛
32	26	AZP	2.72	8.7	9	2022	31⅛	30¾	31⅛	+¼
55	31⅝	AbtLb s	.84	1.6	23	6180	52⅞	51⅝	52¾	+¾
32	25	AccoWd	.56	2.0	18	97	29⅛	28½	28½	−⅜
14⅝	9	AcmeC	.40	3.3		1207	12⅞	10¾	12⅛	+1½
9¼	6⅛	AcmeE	.32b	4.0	28	203	8	7⅝	8	+½
23⅞	17½	AdaEx	3.42e	16.		126	21	20½	21	+¼
16⅝	9¾	AdmM s				67	14¾	14	14¾	+½
20⅝	12⅞	AdvSys	.62t	3.2	16	180	19⅝	18¼	19⅝	+¾
32⅞	12⅞	AMD				4079	18¼	17⅛	18⅛	+⅜
12⅝	5¼	Adobe				167	6⅝	6	6⅝	+⅛
17⅝	13¾	Adob pf	1.84	11.		32	17⅝	17⅛	17⅛	−⅛
20⅝	16⅝	Adob pf	2.40	12.		37	20¼	20¼	20¼	
18⅝	11½	Advest	.12a	.9	10	334	13⅝	13⅝	13⅝	+⅛
66¾	52¾	AetnLf	2.64	4.3	9	3767	61¾	60¼	61¾	+1¼
54⅝	51⅛	AetL pf	3.94e	7.5		105	52½	52⅝	52½	+⅛
84	35¼	AfilPb s	.44	.6	38	439	80¼	78¼	80	−¼
42¼	17⅝	AfilPb wi				6	40	39⅞	40	−¾
26¾	16½	Ahmans	.46	2.1	7	11908	21¾	21¼	21⅝	+⅛
5¾	2⅞	Aileen				35	4⅛	4	4⅛	+⅛
41⅝	29⅛	AirPrd s	.80	2.0	[illegible]	2273	40⅝	39⅝	40	+⅛
32½	16	AirbFrt	.60	1.9	22	168	32	31¾	31⅞	+⅛
6⅞	6⅛	Airgas n				21	6⅝	6½	6½	−⅛
20⅝	17⅛	Airlee n	.49e	2.7		57	18¾	18¼	18¼	−¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 41

NYSE COMPOSITE CLOSING PRICES

Continued from Page 40

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
34¾	24¾	Penw pr1.60		4.7		25	34	33	33¾	+⅜
77⅜	48½	Pennzoil2.20		3.2	67	840	69¼	68⅛	68⅞	+½
26¾	19⅞	PeopEn .32		5.2	11	399	26	25¾	25⅞	+¼
48¼	25⅛	PepBoy .22		.5	31	340	46⅜	46¼	46¼	+⅝
35⅝	22	PepsiCo .64		2.0	19	21200	32⅛	31⅛	31⅞	+¾
13⅛	10⅝	PerkF n.25e		2.2		58	11⅜	11¼	11⅜	
36⅞	23⅛	PerkEl .60		1.9	21	2808	32⅜	31	32⅛	+⅜
7½	5½	Prmian.55e		7.7	6	1640	7¼	7⅛	7⅛	+⅛
20⅞	12	PeryDr .22		1.6	23	206	13⅞	13½	13½	−¼
35¾	22⅛	Pesrie s .70		2.5	17	1128	28⅜	28	28⅜	+⅛
33	22¾	PetRs 2.57e		8.1		x65	31⅞	31¼	31⅞	+⅜
20	16	PetRs pf1.57		8.2		54	19½	19¼	19¼	−¼
3	1	Ptrlnv				90	1¼	1¼	1¼	−⅛
72⅞	45¾	Pfizer 1.64		2.5	17	6841	67	64⅜	65⅝	+2⅝
32½	16	PhelpD			27	1006	25⅛	24¾	25⅛	+⅞
63	48¾	Phelp pr 5		8.6		66	58	57¾	58	+⅛
25½	17⅛	PhilaEl2.20		8.7	8	4727	25⅜	24⅞	25⅜	+¼
43½	30	PhE pfA3.80		9.0		z100	42⅜	42⅜	42⅜	−1⅛
51½	38½	PhE pfD4.68		9.1		z10	51½	51½	51½	
78	58½	PhE pfE 7		9.0		z10	78	78	78	+2
95	70	PhE pfG8.75		9.2		z270	95	95	95	+⅞
105	100½	PhE pfS9.50		9.3		z150	102½	102½	102½	−1¼
13⅞	11¼	PhE pfR1.41		10.		19	13⅝	13½	13½	
13¼	10¾	PhE pfP1.33		11.		28	12⅝	12½	12⅝	
87¼	32	PhE pfH7.85		9.1		z580	86⅜	86	86⅛	−1⅛
12⅞	10⅜	PhE pfO1.28		11.		65	12⅛	12	12⅛	
134¼	122½	PhE pfN17.13		13.		z840	129⅛	128½	129	+½
124	108	PhE pfM15.25		13.		z260	117½	117	117	+⅛
103	87	PhE pfL9.52		9.5		z50	100	100	100	
99	75	PhE pfK9.50		9.5		z9630	u103	99¾	99¾	+2¼
88	61½	PhE pfJ7.80		9.1		z240	86	86	86	−⅜
82	59	PhE pfI7.75		9.5		z800	82	80	82	+2⅜

12 Month High	12 Month Low	Stock	Div.	Yld.
34¾	12¾	SeaCnt .42		2.8
14⅝	7¾	SeaCt pf1.46		13.
15⅞	10½	SeaC pfB2.10		14.
17	9¾	SeaC pfC2.10		14.
31¼	34½	SeaC pfD4.12		11.
69	37⅜	Seagrm 1		1.4
17¾	12⅛	Seagul		
47½	35⅛	SealAir .48		1.0
31¼	23⅞	SealPwt.10		3.7
50⅜	35¾	Sears 1.76		3.8
109½	102¼	Sear pf7.13e		6.9
41¼	27⅞	SecPac1.48		3.7
41	27⅝	SvceCp .48		1.2
27¼	18⅜	SvCp wi		
18½	4¼	SvcRes		
28⅜	21	Svcmstr		
28	14⅜	Shakiee .72		3.3
24¼	11¾	Shawkn .60		2.5
64¾	36	ShellT 2.97e		4.5
32⅜	22⅛	Shrwins .50		1.6
12	6⅜	Shoebtn		
23⅞	15¾	Showbt.59e		2.5
29	19⅛	SierPad.72		6.6
38½	26	Signal 1.24		3.6
55⅞	35¼	Singer .40b		.9
41⅜	32⅜	Singr pf3.50		8.5
21	12⅜	Skyline .48		2.9
28⅜	20⅜	Slattery		
7	1⅛	vjSmith		
105⅜	74⅞	SmkB 3		2.9
50	37¼	Smuckr .60		1.3
32⅞	20½	SnapOn s .64		2.1
12	9½	Snyder 1.20		11.
21	18⅜	Snydr pf2.09		9.9

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
42⅞	27¾	SDieGs2.36		6.5	10	2184	36¾			
9⅞	6⅞	SJuanB45e		5.5		87	8	7⅞	7⅞	−⅛
12⅝	8¼	SJuanR 2c				21	9½	9⅜	9⅜	−⅛
33	24	SAnkR2.04		6.5	18	54	31¼	31	31¼	
25⅞	16¼	SFeEP 2.88		15.		113	19¼	18⅞	19	+⅛
39⅝	20¾	SFeSoP 1		3.1	21	2820	32⅜	31¾	31¾	+⅛
41	23½	SaraLee 1		2.3	41	3296	u43½	40⅜	43	+2½
23⅛	10¾	SavEP s .88		4.1	11	270	21⅝	21	21⅝	+⅝
14½	11¼	SavE pf1.28		9.6		7	13¼	13⅛	13⅛	
4½	1⅝	Savin				203	2½	2⅜	2½	
42⅞	27⅜	SCANA2.24		5.7	13	228	39½	38⅞	39⅜	+¼
10	8⅛	Schlr n				120	9	8⅞	9	
80	55⅜	SchrPld.80		2.1	22	1383	88¾	85¼	86¾	+1½
37½	27¼	Schlmb1.20		3.3		5684	36⅞	36	36⅜	+⅛
14¾	8½	SciAtl .12		.9		2628	13½	13⅛	13⅜	+¼
74	49½	ScottP 1.36		1.8	15	1485	u74⅞	72⅞	73⅞	
18⅝	12	Scotys .52		4.0	16	78	13¼	12¾	13⅛	+¼

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
78	50	Tripund.20		1.8	9	669	67⅜	65½	67	+1⅛
4⅛	1⅜	Tricntr .04e		1.7		315	2½	2⅜	2⅜	−⅛
7⅞	4⅞	Trico .20		2.6	18	328	7⅞	7¾	7¾	
20½	13¼	Trinty .50		2.6	41	217	19⅝	19¼	19½	+⅛
56½	31	Trinov s 1		1.8		326	56¼	55	56¼	+1⅛
126½	78½	Trinv pf4.75		3.8		3	125¾	125⅜	125⅜	−⅛
25⅜	13⅝	TritEng.10b		.6	13	609	17¼	17⅛	17⅛	−½
29⅜	20¾	TriE pf 2		7.8		8	25½	25½	25½	
65	41¼	TucsEP3.30		5.2	14	281	63	62¼	63	+½
24	9¾	Tultex s .32		1.4	18	522	22½	21⅞	22⅜	−⅛
18¾	14¼	TwinDs .70		4.0		5	17½	17⅜	17⅜	−⅛
48	28⅜	TycoL s .40		.9	19	889	46¾	45⅜	46½	+1¼
17¾	11⅛	Tyler .40		3.0	20	25	13⅝	13½	13½	

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12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
64¾	46½	UAL	1	1.7		2760	57⅜	56	57¼	+¾
33⅜	15¼	UCCEL			30	586	30½	29	30	−¼

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17¼	8⅝	Wilfred .12		1.4	9	140	8¾	8	8⅝	8½
18½	11⅞	WillcoG.15		.9	10	504	17⅝	17¼	17½	−¼
27½	17⅝	WilliamI.40		5.8		1282	24⅞	24¼	24¼	−⅜
12¼	4⅝	WilmEl				265	5½	5	5½	+½
7⅛	4	WilshrO				112	5⅜	5⅜	5⅜	−⅛
17¾	15¾	Winchl n				58	17¾	17½	17½	−⅛
59	35¼	WinDix1.80		3.7	18	305	49½	47¾	48½	+⅝
20¾	9	Winnbg .20		1.4	16	1261	13⅞	13⅜	13⅞	+¼
7¼	3⅝	Winner				49	3½	3⅜	3½	+⅛
10⅜	5¾	WinterJ.16e		2.6	18	18	6½	6¼	6¼	−⅜
64½	39	WiscEn2.68		4.6	12	1545	57⅝	56⅞	57¾	+1¼
105	91	WisE pf8.90		8.4		z10	u106	106	106	+1
102⅜	81	WisE pf7.75		7.6		128	u102⅝	102½	102⅝	+1⅛
31	26	WisG pf2.55		9.1		3	28	27½	28	
60¼	39⅝	WiscPL3.04		5.6	13	115	54½	53⅜	54½	+⅞
63	39⅜	WiscPS 3		5.7	13	1115	53⅛	52⅝	53	+¼
46⅜	26⅝	Witco s 1.12		2.5	15	913	44½	42½	44½	+¾
13⅛	8⅛	WolvrW				268	10	9⅝	9⅞	+⅛
49	29¼	Wlwth s1.12		2.6	14	3046	43⅛	42¼	43	+⅜
137	88	Wolw pf2.20		1.8		1	120½	120½	120½	−1½
5½	2	WrldAr			261	u	6	5⅜	6	+⅝
19¾	14⅝	WrldVl n				81	17½	17⅛	17⅜	+⅛
54	27½	Wrigly s .96		1.8	22	336	53¼	51¾	53	+1¼
4⅛	1⅝	Wurltzr				21	3⅛	3	3	−⅛
17½	11	WyleLb .32		2.1	33	117	15½	15⅛	15½	
25¾	15	Wynns .60		2.8		18	21¼	21	21¼	−¼

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12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
72¼	48⅝	Xerox 3		4.4	15	6211	68	66⅜	67¾	+⅜
58¼	55	Xerox pf5.45		9.7		32	56⅜	56	56⅜	−⅛
28¾	21⅜	XTRA .64		2.4		82	27⅛	26⅞	26⅞	
19	13½	Yorkln n				97	17⅞	17⅜	17⅜	−⅛
7⅝	2¼	Zapata				682	3¾	3½	3½	
43⅞	20¾	Zayre s .32		1.2	19	2372	26⅛	25¾	25⅞	+⅛
17	9¾	Zemex .40		3.4	18	8	11¾	11⅝	11¾	
28⅞	17⅞	ZenithE				1298	25¼	24¾	25¼	+⅝
18¼	8	ZenLb s			55	1009	8¾	8½	8¾	+¼
22⅝	12⅜	Zero s .29		1.6	18	93	18	17¾	17¾	+⅛
45¾	32⅜	Zurmin 1.32		3.1	16	624	42	41¼	42	+¾
10⅝	8¾	Zweig n.10e		1.0		1130	9⅝	9⅜	9⅝	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued on Page 39

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Dow leaps 51.6 in heavy trade

AFTER only a one-day breather, the New Year Stock market rally unexpectedly swept back into Wall Street yesterday, propelling the Dow Jones industrial average to its largest gain ever in points terms, *Roderick Oram writes in New York.*

In contrast, bond prices fell a fraction in the wake of the dollar's further decline after the inconclusive US-Japanese talks on the currency on Wednesday.

The rebound in stock prices surprised most market participants who had expected them to consolidate further after the small downturn on Wednesday. Instead, prices advanced on a broad front. The Dow Industrial leapt 51.60 points to 2,145.67, a gain of 2.50 per cent in percentage terms and its 13th record closing level in 14 sessions. The all-share indices of the New York and American stock exchanges also set records, closing up 3.07 points at 155.97 and up 5.03 points at 296.49 respectively. NYSE volume was surprisingly heavy at 188.7m shares considering New York was gripped by a severe snowstorm from late morning forcing many people to leave early for home. Advancing issues outpaced declining by a margin of almost three-to-one.

Forecasts by Mr Robert Prechter, an influential market theorist, that the Dow Industrial index would hit 2,300 before a major correction was credited with helping improve the mood of investors. A flood of corporate result also prompted price movements.

The Dow Jones average jumped more than 14 points shortly after the opening as share buy programmes were triggered when stock index futures traded at a discount to the underlying shares. Some of the gains were given up in mid-morning but prices rallied again during the afternoon. The last 20 points of the rise came in the last half hour.

Among blue chips, AT&T was up $½ to $27¼, Allied Signal gained $¾ to $45½ Du Pont added $2⅞ to $99, General Motors advanced $1½ to $72 ¼, McDonald's rose $2⅜ to $67⅞, Philip Morris added $1⅛ to $82½ and USX was unchanged at $24.

United Technologies dropped $½ to $49 after reporting a fourth quarter loss of $228m reflecting a number of charges.

BankAmerica gained $⅛ to $15⅛ after turning in fourth quarter profit of $82m against a loss of $178m a year earlier. First Interstate which wants to take over BankAmerica, gained $½ to $57¾.

American Express rose $1⅛ to $69⅞. Profits in the latest period were $1.25 a share against $1.19 although some of its businesses such as Shearson Lehman, the securities firm, out-performed the overall group figure.

Morgan Stanley, the leading Wall Street firm which went public last spring, jumped $3¼ to $72⅞ after reporting profits for the year of $8.42 against $5.32, exceeding analysts' forecasts. In contrast, Salomon Brothers edged up only $⅛ to $39⅞. Its shares fell sharply earlier in the week when it warned that expansion costs would cut deeply into profits. Among other securities firms, E. F. Hutton gained $⅝ to $40⅝, Merrill Lynch rose $1⅝ to $41⅞ and First Boston rose $1⅝ to $48⅞.

Data General dropped $2¼ to $36 after turning in a lower than expected rise in first quarter profits of 12 cents a share up from 4 cents. Cray Research jumped $8⅞ to $114. Its fourth quarter profits were 75 cents a share against 39 cents.

Other computer makers were ahead IBM rose $4⅞ to $127⅞, Digital Equipment was up $6⅞ to $146⅞. Unisys was up $1½ to $97⅞, prime rose $⅞ to $21⅞.

Standard Oil gained $¼ to $57. It returned to profit in the latest quarter from a big loss a year earlier but still reported a loss for all of 1986. With oil prices edging up again, Exxon rose $1⅝ to $80, Chevron was up $1⅛ to $51⅛, Atlantic Richfield gained $1⅝ to $68⅞, Amoco advanced $⅝ to $74⅜

The dollar dominated the credit markets with its further fall after the Baker-Miyazawa meeting overpowering good news such as a far lower-than-expected rise in fourth-quarter gross national product and the Bundesbank's cut in its rates.

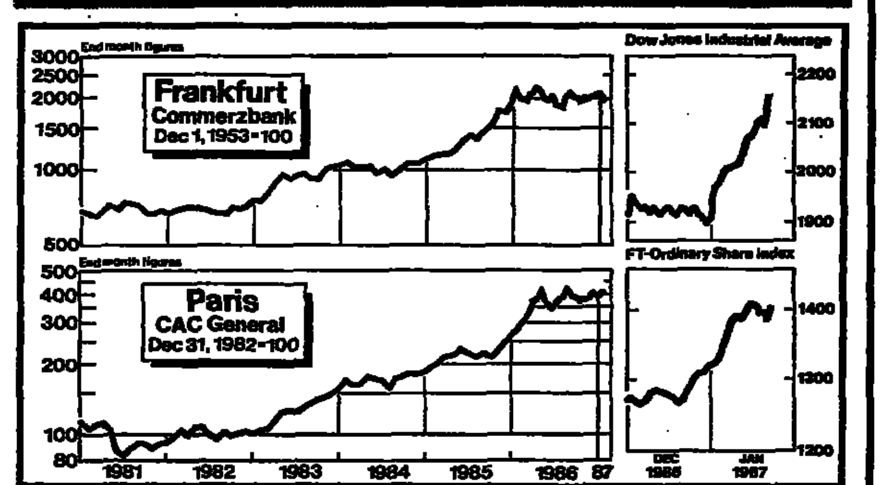
The price of the 7.50 per cent benchmark Treasury long bond shed ⅜ of a point to 101¹¹⁄₁₆ at which it yielded 7.34 per cent. Price on short maturites were unchanged.

The discount rate on three-month Treasury bills rose three basis points to 5.37 per cent, gained two basis points to 5.32 per cent on six-month bills and was unchanged on year-bills at 5.38 per cent.

The 1.7 per cent preliminary real growth rate for fourth-quarter gross national product was fell below market expectations of more than 2 per cent. Similarly, the price deflator was only 1 per cent against estimates of up to 3 per cent.

Although this indication of slow growth was good for bond markets because it could lead to lower interest rates, it was unfavourable for foreign exchange markets because lower interest rates would further weaken the dollar.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Jan 22	Previous	Year ago
NEW YORK			
DJ Industrials	2,125.56*	2,108.44	1,502.29
DJ Transport	875.35*	871.37	712.13
DJ Utilities	226.57*	224.09	169.47
S&P Composite	271.91*	268.53	203.49
LONDON			
FT Ord	1,404.1	1,387.7	1,120.4
FT-SE 100	1,777.5	1,761.6	1,380.9
FT-A All-share	886.76	879.81	669.78
FT-A 500	973.85	965.38	734.65
FT Gold mines	323.8	326.0	324.3
FT-A Long gilt	9.92	9.85	10.77
TOKYO			
Nikkei	19,380.51	19,429.18	12,923.3
Tokyo SE	1,073.82	1,673.63	1,027.53
AUSTRALIA			
All Ord.	1,534.7	1,528.2	1,069.0
Metals & Mins.	776.8	772.6	545.5
AUSTRIA			
Credit Aktien	214.98	216.50	244.51
BELGIUM			
Belgian SE	4,021.65	4,027.30	2,817.33
CANADA			
Toronto			
Metals & Minls	2,210.1	2,163.7	2,146
Composite	3,299.7	3,253.6	2,758.8
Montreal			
Portfolio	1,671.57	1,648.07	134.26
DENMARK			
SE	–	216.32	215.64
FRANCE			
CAC Gen	416.80	415.60	271.3
Ind. Tendance	106.40	105.10	65.1
WEST GERMANY			
FAZ-Aktien	629.27	620.97	678.82
Commerzbank	1,905.40	1,882.20	2,044.7
HONG KONG			
Hang Seng	2,536.94	2,533.90	1,737.94
ITALY			
Banca Comm.	718.31	720.71	477.09
NETHERLANDS			
ANP-CBS Gen	287.90	288.30	101.5
ANP-CBS Ind	256.20	260.40	251.7
NORWAY			
Oslo SE	366.26	368.44	376.97
SINGAPORE			
Straits Times	945.13	948.21	568.61
SOUTH AFRICA	Jan 22	Prev	Year Ago
JSE Golds	—	n/a	1,269.4
JSE Industrials	—	n/a	1,092.2
SPAIN			
Madrid SE	241.74	241.06	111.25
SWEDEN			
J & P	2,215.35	2,277.33	1,788.52
SWITZERLAND			
Swiss Bank Ind	579.30	583.00	586.6
WORLD	Jan 20	Previous	Year ago
MS Capital Int'l	389.61	390.8	250.4

COMMODITIES

(London)	Jan 22	Prev
Silver (spot fixing)	361.45p	360.55p
Copper (cash)	£877.50	£881.75
Coffee (January)	£1,602.5	£1,577.50
Oil (Brent Blend)	$18.45	$18.375

GOLD (per ounce)

	Jan 22	Prev
London	$409.75	$407.00
Zürich	$411.35	$407.25
Paris (fixing)	$410.42	$410.95
Luxembourg	$411.30	$409.05
New York (Feb)	$409.90*	$409.60

CURRENCIES

(London)	US DOLLAR Jan 22	US DOLLAR Previous	STERLING Jan 22	STERLING Previous
$	–	–	1.5325	1.5170
DM	1.8135	1.8470	2.7825	2.80
Yen	151.85	153.90	232.75	233.50
FFr	6.0550	6.1625	9.2800	9.3475
SFr	1.5225	1.5505	2.335	2.3525
Guilder	2.0455	2.0800	3.1350	3.1550
Lira	1,291	1,313	1,978.5	1,992
BFr	37.65	38.35	57.70	58.20
C$	1.3570	2.0575	2.0815	1.3565

INTEREST RATES

	Jan 22	Prev
Euro-currencies (3-month offered rate)		
£	11	11 1/16
SFr	3 7/8	3 5/8
DM	4 7/16	4 7/16
FFr	8 3/8	8 5/8
FT London Interbank fixing (offered rate)		
3-month US$	6 7/16	6 7/16
6-month US$	6 3/8	6 3/8
US Fed Funds	6*	5 7/8
US3-month CDs	5.70*	5.955
US3-month T-bills	5.365*	5.46

US BONDS

Treasury	January 22* Price	Yield	Prev Price	Yield
6% 1989	99 29/32	6.317	100 1/32	6.195
7¼ 1994	100 17/32	6.885	100 29/32	6.827
7¼ 1997	101 17/32	7.027	101 19/32	6.987
7½ 2017	101 13/32	7.367	102 1/32	7.324

Source: *Harris Trust Savings Bank*

Treasury Index Maturity (years)	Return index	Jan 22 Day's change	Yield	Day's change
1–30	162.59	–0.11	6.81	+0.01
1–10	154.17	–0.02	6.52	+0.01
1–3	143.47	+0.01	6.19	+0.01
3–5	157.08	+0.01	6.60	+0.00
15–30	192.60	–0.39	7.75	+0.02

Source: *Merrill Lynch*

Corporate	January 22* Price	Yield	Prev Price	Yield
AT & T 3⅞ July 1990	92.334	6.400	92.334	6.40
SCBT South Central 10⅞ Jan 1993	106.125	9.534	106.125	9.534
Phibro-Sal 8 April 1996	100.50	7.920	100.75	7.881
TRW 8⅞ March 1996	104.50	8.041	104.75	8.313
Arco 9⅞ March 2016	112.75	8.666	112.875	8.656
General Motors 8⅜ April 2016	95.375	8.856	95.375	8.856
Citicorp 9⅜ March 2016	104.125	8.972	103.75	9.007

Source: *Salomon Brothers*

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
March	101-03	101-15	100-25	101-15
US Treasury Bills (IMM) $1m points of 100%				
March	n/a	94.96	94.78	94.83
Certificates of Deposit (IMM) $1m points of 100%				
March	n/a	n/a	n/a	94.45
LONDON				
Three-month Eurodollar $1m points of 100%				
March	94.02	94.07	94.01	94.07
20-year National Gilt £50,000 32nds of 100%				
March	115-13	116-16	115-10	116-05

* Latest available figures

TOKYO

Stronger yen upsets record streak

THE LATE upturn of the yen depressed blue chips and drove stocks down in Tokyo yesterday for the first time in six days, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei stock average slipped 48.67 to 19,380.51 after soaring 124 points to a momentary record high towards the morning's close. Volume swelled from 877m on Wednesday to 1.2bn shares. Advances outnumbered declines by 449 to 425, with 135 issues unchanged.

Early speculation that Japan and West Germany might soon co-ordinate discount rate cuts to help stabilise foreign exchange markets provided a spur to financial and large-capital stocks.

The likelihood has grown since the talks between Japanese Finance Minister Mr Kiichi Miyazawa and US Treasury Secretary Mr James Baker in Washington on Wedesday, traders said. Announcement of their agreement prompted small-lot selling as it did not refer to specific dollar-supporting measures.

Dealers said the Miyazawa-Baker announcement and the ensuing plunge of the dollar to below Y152 combined to dishearten investors, dragging down blue chips, domestic demand-related stocks and oils. Some financials shed early gains.

Large-capital steels and chemicals continued to attract the bulk of trading aimed primarily at a quick profit. Nippon Steel remained the most active stock for the sixth day running, with 332.63m shares changing hands, rallying Y12 to Y228. Kawasaki Steel gained Y9 to Y200 and Nippon Kokan Y3 to Y243.

Sumitomo Chemical, second busiest with 76.53m shares, surged Y27 to Y509 at one stage but ended only Y17 up at Y499, reflecting late bearish sentiment in the market. Mitsui Toatsu Chemicals weakened Y3 to Y442 after strengthening Y17.

Bonds rebounded strongly on a wide front, bolstered by firm prospects for an imminent discount rate cut by the Bank of Japan.

The yield on the bellwether 5.1 per cent government bond, due in June 1996, plunged from Wednesday's 5,060 finish to 4.935 per cent on follow-through dealer buying after a push by one big securities company. Trust and city banks and other institutional investors also placed massive buy orders after holding off for several days.

SOUTH AFRICA

THE DIP in the bullion price led to a slight easing of Johannesburg gold shares with preliminary figures putting the all gold index down 10 at 2,087 and the overall index static at 2,127.

Kloof shed 75 cents to R37.75 and Driefontein eased 25 cents to R75. But leading gold share Vaal Reefs added R2 to R404.

Blue chip stock Barlows fell 10 cents to R18.90.

EUROPE

Caution as Bundesbank rate is cut

THE BUNDESBANK managed to keep most of the European bourses guessing yesterday about its intentions on whether it would lower its key lending rates. The news that the West German central bank was cutting its rate by half a percentage point to 3 per cent came after the closure of many of the leading markets which had traded cautiously for most of the day.

Frankfurt staged a solid rally, largely stemming from overnight support for prices, and the Commerzbank index, calculated at midsession, jumped 23.2 to 1,905.4. Late caution developed, hwever, as investors became concerned over the likely impact of a rate cut on the dollar/D-Mark exchange rate.

Banks suffered late profit-taking which eroded much of their early strength. Deutsche Bank dipped 50 pfg to DM 780.50 after a early gain of DM 7 while Dresdner Bank at DM 387 posted a closing advance of 50 pfg after an opening gain of DM 4. Commerzbank finished steady at DM 300.50 as it surrendered a midsession rise of DM 3.

Chemicals also retreated from their peaks with BASF closing up DM 2.20 at DM 255.50.

Car makers lost ground with Daimler DM 2.50 cheaper at DM 1,106 while Siemens, among leading electricals, gained DM 6.50 to DM 708.50.

Insurer Allianz managed an early rise of DM 25 but this turned into a loss of DM 15 to DM 1,980 in response to its unchanged dividend of DM 9.

The bond market traded nervously ahead of the Bundesbank move on rates with isolated gains of about 40 basis points.

Amsterdam failed to get excited over the cut in German rates largely because the Dutch central bank kept its credit policy unchanged but abolished a ¼ point surcharge on borrowings above a certain limit within its three-month credit quota.

Internationals displayed some reaction to the rate news with Unilever Fl 1 higher at Fl 509.50 and Royal Dutch 30 cents stronger at Fl 211.70, although Akzo dipped Fl 1 to Fl 138.

Paris staged a late rally that took the CAC General index close to its record level reached in January. The index added 1.2 to 416.8 against a previous peak of 418.1

Most of the upturn was attributed to the German cut in rates and the hope that France would follow suit soon. The Bank of France announced late in the day, however, that it was maintaining its current credit market stance.

Retailers enjoyed heavy buying on the hopes of increased consumer spending tied to a future possible rate cut. Redoute led the way with its FFr 105 jump to FFr 3,085 while Printemps added FFr 10 to FFr 570.

The construction sector, also sensitive to real or imagined interest rate changes, was buoyant.

Zurich edged lower ahead of an announcement on German rates while the overnight Baker–Miyazawa talks also dampened sentiment.

Adia, the trans-national employment agency, dropped a large SFr 225 to SFr 8,600 despite announcing hopes of a 35 per cent gain in 1986 profits.

After trading, the Swiss National Bank revealed it was cutting its discount rate by a half point to 3.5 per cent.

Brussels was barely affected by the German rates cut and lost slight ground in thin trading. Holding companies mirrored the trend, Reserve sliding BFr 20 to BFr 3,350, Cobepa shedding BFr 150 to BFr 5,150 and Sofina unmoved at BFr 12,100.

Madrid edged closer to another peak with construction shares leading the way while **Milan** turned easier in quiet trading. **Oslo** fell with banks displaying most of the weakness.

SINGAPORE

NERVOUS SELLING fuelled by market rumours pushed Singapore share prices back on most fronts in heavy trading. The Straits Times industrial index lost 3.08 to 945.13.

Talk that a senior UOB official had been arrested on corruption charges pruned 24 cents off the bank's price to S$4.28. UOB and the police later denied the rumour.

Many blue chips lost recent gains, SIA by 5 cents to S$9.80, DBS by 10 cents to S$9.90 and ICB by 8 cents to S$4.18.

Commodities, properties and hotels also retreated.

Sime Darby, however, gained 1 cent to S$2.39 on trade of 1.6m shares.

LONDON

INTERNATIONAL TRADERS moved back into the London equity market as West Germany made its widely heralded discount rate cut.

Gains by leading stocks propelled the market ahead in the early part of the session but buyers of second line issues were more cautious and profit-taking pared gains.

The FT-SE 100 index, at one stage 20 points higher, ended a net 15.9 ahead at 1,777.5, while the FT Ordinary index rose 17.4 to 1,404.1.

Gilts saw some profit-taking after the Bundesbank announcement but losses of ⅝ or so were trimmed in late dealings as the market began to look for a similar move by Japan next week.

Chief price changes, Page 39; Details, Page 38; Share information service, Pages 36–37.

AUSTRALIA

STRONG BUYING in selected resource stocks and a late rally in golds on an improved bullion price helped Sydney prices edge higher on active trading. The All Ordinaries index closed up 5.9 at 1,534.7.

Heightened speculation of a bid for CSR pushed it up 20 cents to A$4.05 after it earlier touched a record A$4.15.

Other resources brightened, notably BHP by 24 cents to A$9.36 on news of plans to float off most of its gold interests. North BH added 8 cents to A$2.88 and Bell Resources gained 5 cents at A$4.80.

HONG KONG

THE CHARACTERISTIC volatility of the Hong Kong market asserted itself as an early advance ran into profit-taking and technical resistance. Foreign institutions continued to show buying interest, but some local investors apparently felt the market had rebounded too sharply on Wednesday after its plunge early in the week.

The Hang Seng index ended just 3.04 higher at 2,536.94 after rising 17 points at one stage

CANADA

THE CUT in Canadian bank prime rates and Wall Street's fresh advance pushed share prices sharply higher in Toronto after losses in the previous two sessions.

In active trading, banks led the advance, with Bank of Nova Scotia adding C$½ to C$18¾ and Toronto Dominion Bank C$⅜ higher at C$26⅛.

Montreal also moved higher.